THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action to be taken, you should consult your stockbroker, bank manager, solicitor, accountant or other financial adviser duly authorised under the Financial Services and Markets Act 2000 without delay.

This document comprises a prospectus in relation to Utilico Finance Limited and has been prepared in accordance with the Prospectus Rules of the Financial Services Authority made pursuant to section 73A of the Financial Services and Markets Act 2000 in order to make an offer of transferable securities to the public and to admit the transferable securities to the standard listing segment of the Official List of the UK Listing Authority and to trading on the main market for listed securities of the London Stock Exchange. This document has been approved by and filed with the Financial Services Authority in accordance with Rule 3.2 of the Prospectus Rules.

If you have sold or otherwise transferred all your 2012 ZDP Shares please send this document and the accompanying documents as soon as possible to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee. The distribution of this document and/or the accompanying documents in jurisdictions other than the UK, including the United States, Australia, Canada, Japan, New Zealand or the Republic of South Africa, may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any of those restrictions. Any failure to comply with any of those restrictions may constitute a violation of the securities laws of any such jurisdiction.

Application will be made to the UK Listing Authority and the London Stock Exchange for the New ZDP Shares to be issued in connection with the Proposals to be admitted to a standard listing on the Official List and to trading on the London Stock Exchange's main market for listed securities. In respect of the 2018 ZDP Shares, it is expected that admission to the Official List will become effective and that dealings will commence on 26 January 2012.

This prospectus has been filed with the Registrar of Companies in Bermuda (the "Bermuda Registrar").The Bermuda Registrar takes no responsibility for the contents of this document, and it makes no representations as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss arising from or in reliance upon any part of the contents of this document.

UTILICO FINANCE LIMITED

(Incorporated in Bermuda under the Companies Act 1981, as amended, with company number 39479)

a wholly owned subsidiary of

UTILICO INVESTMENTS LIMITED

(Incorporated in Bermuda under the Companies Act 1981, as amended, with company number 39480)

Rollover Offer of 2012 ZDP Shares into 2018 ZDP Shares and placing of 2014 ZDP Shares, 2016 ZDP Shares and 2018 ZDP Shares

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Westhouse Securities Limited, which is authorised and regulated in the United Kingdom for the conduct of investment business by the Financial Services Authority, is acting exclusively for Utilico Finance and Utilico and for no one else in connection with the Proposals, and, subject to the responsibilities and liabilities imposed by FSMA, will not be responsible to any person other than Utilico Finance and Utilico for providing the protections afforded to customers of Westhouse Securities Limited or for providing advice to them in relation to the Proposals or any other matter referred to in this document. Westhouse Securities Limited is not making any representation or warranty, express or implied, as to the contents of this document.

No action has been taken to permit the distribution of this document and the accompanying documents or the offer of any of the New ZDP Shares in any jurisdiction other than the United Kingdom. Accordingly, this document and the accompanying documents may not be used for the purpose of, and do not constitute, an offer or solicitation by anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation. Further information regarding overseas investors is set out in Part 1 of this document.

The whole of this document should be read. The attention of potential investors is drawn in particular to pages 7 to 15 of this document, which set out the principal risk factors associated with an investment in the Group.

2 December 2011

CONTENTS

SUMMARY

This summary should be read as an introduction to the full text of this document and any decision to invest in ZDP Shares should be based on consideration of the full text of this document as a whole and not solely on this summarised information. Where a claim relating to the information contained in this document is brought before a court, a plaintiff investor may, under the national legislation of an EEA state, have to bear the costs of translating this document before the legal proceedings are initiated. Civil liability attaches to those persons who are responsible for this summary, including any translation of this summary, but only if this summary is misleading, inaccurate or inconsistent when read together with the other parts of this document.

Information on Utilico Finance

Utilico Finance Limited is an exempted, closed-ended investment company incorporated in Bermuda with limited liability. It is a wholly owned subsidiary of Utilico and was incorporated in 2007 solely for the purpose of issuing ZDP Shares. All of the proceeds of share issues by Utilico Finance, including the proceeds of the Placing, are or will be paid to Utilico under the terms of the Subscription Agreement.

Utilico Finance does not trade and, as at the date of this document, its only material financial obligations are in respect of the ZDP Shares and its only asset is the obligation of Utilico to put Utilico Finance in a position to meet its obligations to redeem the ZDP Shares on their respective maturity dates pursuant to the Subscription Agreement. ZDP Shareholders are therefore exposed to the investment performance of Utilico.

Information on Utilico

Utilico Investments Limited is an exempted, closed-ended investment company incorporated in Bermuda with limited liability, and was established as a successor company to Utilico Investment Trust plc. Trading in the Ordinary Shares and Warrants issued by Utilico commenced on 20 June 2007.

The investment objective of Utilico is to maximise shareholder returns by identifying and investing in investments where the underlying value is not reflected in the market price. This perceived undervaluation may arise from any number of factors including technological, market motivation, prospective financial engineering opportunities, competition or shareholder apathy.

The Company has the flexibility to invest in shares, bonds, convertibles and other types of securities, including non-investment grade bonds and to invest in unlisted securities. The Company may also use derivative instruments such as American Depositary Receipts, promissory notes, foreign currency hedges, interest rate hedges, contracts for difference, financial futures, call and put options and warrants and similar instruments for investment purposes and efficient portfolio management, including protecting the Company's portfolio and balance sheet from major corrections and reducing, transferring or eliminating investment risks in its investments.

The Company has the flexibility to invest in markets worldwide although investments in the utilities and infrastructure sectors are principally made in the developed markets of Australasia, Western Europe and North America, as Utilico's exposure to the emerging markets infrastructure and utility sectors is primarily through its holding in Utilico Emerging Markets Limited. Utilico has the flexibility to invest directly in these sectors in emerging markets with the prior agreement of Utilico Emerging Markets Limited.

The Company may invest in other investment companies or vehicles, including any managed by the Manager, where such investment would be complementary to Utilico's investment objective and policy.

The Rollover Offer

Under the Rollover Offer, holders of 2012 ZDP Shares are being given the opportunity to convert some or all of their holding of 2012 ZDP Shares into new 2018 ZDP Shares. The Rollover Value attributed to the 2012 ZDP Shares will equal their Accrued Capital Entitlement as at the Rollover Date, which will be 168.58p per 2012 ZDP Share. The Rollover Offer is limited to a maximum of 65 per cent. of the 2012 ZDP Shares in issue at the Record Date and, subject to the exercise of the Directors' discretion referred to below, each Qualifying Holder on the Register on the Record Date will be entitled to have accepted under the Rollover Offer his or her Basic Entitlement, which is equal to 65 per cent. of their holding of 2012 ZDP Shares as at the Record Date.

The Rollover Offer is conditional on Admission of the 2018 ZDP Shares arising on the conversion of 2012 ZDP Shares under the Rollover Offer.

The Rollover Offer is open to all Eligible Shareholders on the Register at the Record Date. All such persons shall be entitled to have accepted in the Rollover Offer valid elections in respect of his or her Basic Entitlement. In addition, Eligible Shareholders may make elections in excess of their Basic Entitlement but such excess elections will only be satisfied to the extent that other 2012 ZDP Shareholders have not made valid elections in respect of all or any part of their Basic Entitlement. Elections in excess of the Basic Entitlement will be satisfied *pro rata* in proportion to the excess over the Basic Entitlement elected, rounded down to the nearest whole number of 2012 ZDP Shares. The Directors will have the discretion to scale back elections under the Rollover Offer otherwise than on a *pro rata* basis and whether or not such elections are in excess of a 2012 ZDP Shareholder's Basic Entitlement if the Directors consider this necessary to ensure that sufficient 2018 ZDP Shares are held in public hands so as to satisfy the Listing Rule requirement and which accordingly is a condition to Admission. In particular, the Directors may exercise their discretion so that the relevant 2018 ZDP Shares can be placed pursuant to the Placing in order to satisfy this condition to Admission.

Assuming the Rollover Offer is taken up in full, up to 49,842,413 new 2018 ZDP Shares will arise on conversion of 2012 ZDP Shares under the Rollover Offer.

The Placing

Utilico Finance also intends to issue, pursuant to the Placing, up to 10,000,000 new 2014 ZDP Shares, up to 10,000,000 new 2016 ZDP Shares and, in the event that the Rollover Offer is not taken up in full or the Directors exercise their discretion to scale back elections under the Rollover Offer as described above, up to 49,842,413 new 2018 ZDP Shares less those taken up in the Rollover Offer. The Placing is flexible and may have a number of closing dates in order to provide Utilico Finance with the ability to issue 2014 ZDP Shares, 2016 ZDP Shares and 2018 ZDP Shares over a period of time. The Placing will open on 2 December 2011 and will close on 1 December 2012 (or any earlier date on which it is fully subscribed). The Placing Shares will, when issued, rank equally with the existing 2014 ZDP Shares, the existing 2016 ZDP Shares and the 2018 ZDP Shares arising on the conversion of 2012 ZDP Shares pursuant to the Rollover Offer respectively.

The Placing is conditional on:

- the Placing Price being not less than the Accrued Capital Entitlement of the relevant class of ZDP Share;
- ZDP Cover of all classes of ZDP Share being not less than 1.5x, taking into account the effect of the relevant allotment; and
- Admission of the ZDP Shares issued pursuant to the Rollover Offer and, if applicable, the Placing.

The Placing is not being underwritten and the allotment of the New ZDP Shares is at the discretion of the Directors. As at the date of this document, the actual number of ZDP Shares to be issued under the Placing is not known.

The minimum price at which each New ZDP Share will be issued pursuant to the Placing will be calculated by reference to the Accrued Capital Entitlement of the existing ZDP Shares of the same class as the New ZDP Shares which are being issued. The maximum price in respect of any allotment of new ZDP Shares will be equal to the best offer price of the relevant class of ZDP Shares, as quoted on the London Stock Exchange at the time that the proposed allotment is agreed.

Information on the New ZDP Shares

The rights attaching to the 2018 ZDP Shares will be substantially similar to those attaching to the 2012 ZDP Shares but, subject to Admission occurring, the 2018 ZDP Shares will have an illustrative initial capital entitlement on 26 January 2012 of 100p per 2018 ZDP Share and will have a Final Capital Entitlement of 160.52p per 2018 ZDP Share on 31 October 2018, the 2018 ZDP Repayment Date, equivalent to a Gross Redemption Yield of 7.25 per cent. per annum on the 2018 ZDP Issue Price. Based on the Assumptions, the 2018 ZDP Shares will have a ZDP Cover of 1.67x following the Rollover Offer and a ZDP Cover of 1.57x following the Rollover Offer and the Placing.

As at 30 November 2011, being the latest practicable date prior to the printing of this document, the 2014 ZDP Shares had an Accrued Capital Entitlement of 136.64p per 2014 ZDP Share and will have a Final Capital Entitlement of 167.6p per 2014 ZDP Share on 31 October 2014, the 2014 ZDP Repayment Date, equivalent to a Gross Redemption Yield of 3.99 per cent. per annum on the 2014 ZDP Share price as at 30 November 2011.

As at 30 November 2011, being the latest practicable date prior to the printing of this document, the 2016 ZDP Shares had an Accrued Capital Entitlement of 136.64p per 2016 ZDP Share and will have a Final Capital Entitlement of 192.78p per 2016 ZDP Share on 31 October 2016, the 2016 ZDP Repayment Date, equivalent to a Gross Redemption Yield of 5.45 per cent. per annum on the 2016 ZDP Share price as at 30 November 2011.

Management Arrangements

Utilico's investment manager is ICM Limited ("ICM"), which has been appointed under a management agreement to undertake the discretionary management of Utilico's portfolio and to provide various other management services to Utilico, subject to the overriding supervision of the Directors.

Borrowing Policy

Under the Bye-laws the Group is permitted to borrow an aggregate amount equal to 100 per cent. of the Group's Gross Assets. However, the Board has set a current limit on gearing (being total borrowings excluding ZDP Shares measured against Gross Assets) not exceeding 33.3 per cent. at the time of draw down. Borrowings will be drawn down in sterling, US Dollars or any currency for which there is a corresponding asset within the portfolio (at the time of draw down, the value drawn must not exceed the value of the relevant asset in the portfolio).

The Company currently has a loan facility of up to £30 million in place, provided by ScotiaBank Europe PLC. This facility will expire on 22 March 2013.

Repurchases of Ordinary Shares, ZDP Shares and Warrants

At its annual general meeting held on 2 December 2010, Utilico was granted the authority to make market purchases of up to 14.99 per cent. of the Ordinary Shares in issue as at that date. Utilico, as the sole ordinary shareholder of Utilico Finance, granted Utilico Finance authority to repurchase ZDP Shares at Utilico Finance's annual general meeting held on the same date. Resolutions to renew these authorities are being proposed at the respective annual general meetings of Utilico and Utilico Finance to be held on 30 November 2011.

The price paid for each class of share will be within the maximum price permitted by the UK Listing Authority and in accordance with the Bermuda Companies Act 1981 and the Bye-laws of Utilico and Utilico Finance respectively, and in any event no purchase of Ordinary Shares will be made at a price in excess of the diluted NAV per Ordinary Share (at a date determined by the Directors falling not more than 10 days before the date of purchase). Any Ordinary Shares may only be purchased at a price such that immediately after such purchase the ZDP Cover would be at least 1.5 times. Purchases of ZDP Shares will be made at a price not exceeding their Accrued Capital Entitlement (at a date determined by the Directors falling not more than 10 days before the date of purchase) unless the Utilico Finance Directors determine that a purchase at a higher price is in the interests of ZDP Shareholders.

Expenses of the Proposals

The expenses of the Group incurred in connection with the Proposals (and based upon the Assumptions) are estimated to be approximately £1.1 million.

Risk Factors

An investment in ZDP Shares is subject to a number of risks which could materially and adversely affect the Group's business, financial condition or results of operations. The material risks relating to an investment in ZDP Shares and the Group which are known to the Directors are set out below:

- An investment in ZDP Shares involves a high degree of risk. Accordingly, prospective investors should carefully consider the risks attaching to an investment in Utilico and/or Utilico Finance prior to making any investment decision.
- The past performance of Utilico and the other investment companies managed or advised by ICM or its affiliates is not indicative of the future performance of Utilico.
- There may not be a liquid market for ZDP Shares and their price may fluctuate.
- The success of the investment strategies followed by ICM depends upon ICM's success at correctly interpreting market data and the performance of Utilico's investments depends on ICM's correct assessments of the future course of price movements of Utilico's assets. As a consequence, Utilico is heavily dependent on the expertise of ICM, and its own Directors and employees.
- Global capital markets have been experiencing volatility, disruption and instability. Material changes affecting global debt and equity capital markets and downgrades to sovereign credit ratings and debt defaults may have a negative effect on the Company's business, financial condition and results of operations.
- There is no guarantee that the market price of the ZDP Shares will reflect their underlying Accrued Capital Entitlement.
- Utilico's investments are concentrated and accordingly may represent a different risk than a more diversified fund.
- Utilico invests in utilities and infrastructure investments which can be exposed to a higher level of political and regulatory risk than companies in stock markets as a whole.
- Utilico invests substantially in securities which are not denominated or quoted in sterling, and accordingly Utilico's results are affected by movements in foreign exchange rates to the extent not hedged.
- ICM and its associates serve as investment manager or adviser to other clients, including Utilico Emerging Markets Limited and may, as a result, be subject to conflicts of interest in allocating investments amongst its clients.
- Utilico employs gearing, both through bank debt and through the gearing inherent in the capital structure of the Group. This exposes investors in both ZDP Shares and Ordinary Shares to increased risk.
- The ability of Utilico Finance to pay the Final Capital Entitlement of the ZDP Shares on their maturity will be dependent on Utilico being able to meet its funding obligations under the Subscription Agreement which has been entered into between Utilico and Utilico Finance.
- Utilico and Utilico Finance are incorporated in Bermuda and therefore not subject to the City Code on Takeovers and Mergers.
- Utilico may invest in non-investment grade bonds, warrants, American Depositary Receipts, promissory notes, contracts for differences and other securities both for efficient portfolio management and for investment purposes. These are subject to credit, liquidity and interest rate risks.
- The Assumptions underlying the illustrative financial statistics contained in this document are bases and assumptions only, may not be fulfilled and should not be regarded as profit forecasts.
- Changes in the legal and regulatory regime applicable to the Group could result in increased compliance costs or other effects that could adversely affect the Group and ZDP Shareholders.

The foregoing is not a comprehensive list of the risks and uncertainties to which an investment in the ZDP Shares is subject.

RISK FACTORS

Investment in ZDP Shares involves a high degree of risk. Accordingly prospective and existing investors should review this document carefully and consider all of the information contained in this document and the risks attaching to an investment in Utilico Finance and the Group prior to making any investment decision. The risks referred to below are all the material risks applicable to Utilico Finance, the Group and the ZDP Shares of which the Directors are aware as at the date of this document. Additional risks that are not currently known to the Directors, or that the Directors currently deem immaterial, may also have an adverse effect on Utilico Finance, the Group and the ZDP Shares.

Any decision to invest in Utilico Finance, the Group or the ZDP Shares should be based on a consideration of this document as a whole. An investment in Utilico Finance, the Group or the ZDP Shares is only suitable for investors who are capable of evaluating the risks or merits of such investment and who have sufficient resources to bear any loss which might arise from such investment (which may be equal to the whole amount invested).

The Group's business, financial condition or operations could be materially and adversely affected by the occurrence of any of the risks described below. In such circumstances, the market price of the ZDP Shares could decline and investors could lose all or part of their investment.

Risks relating to the ZDP Shares

The ZDP Shares may not be a suitable investment for all investors

Any potential investor in the ZDP Shares must determine the suitability of that investment in light of his own circumstances. In particular, each potential investor should:

(a) have sufficient knowledge and experience to make a meaningful evaluation of: (i) the ZDP Shares; (ii) the merits and risks of investing in the ZDP Shares; and (iii) the information contained or incorporated by reference in this document or any applicable supplement;

(b) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of his particular financial situation, an investment in the ZDP Shares and the impact such investment will have on his overall investment portfolio;

(c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the ZDP Shares;

(d) understand thoroughly the terms of the ZDP Shares and be familiar with the behaviour of financial markets in which they participate; and

(e) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect his investment and his ability to bear the applicable risks.

Consequences of a standard listing

The ZDP Shares are expected to be admitted to the standard listing segment of the Official List and as a consequence additional ongoing requirements and protections applicable under the Listing Rules to a company admitted to the premium listing segment of the Official List will not apply to Utilico Finance.

Utilico Finance will be listed under Chapter 14 of the Listing Rules and as a consequence a significant number of the Listing Rules will not apply to Utilico Finance. ZDP Shareholders will therefore not receive the full protections of the Listing Rules.

Subordination of ZDP obligations to Utilico's other obligations

The ZDP Shares rank ahead of the Ordinary Shares in the event of a winding up of the Group. However, Utilico Finance has no assets other than the obligation of Utilico to put Utilico Finance in a position to meet its obligations in respect of the ZDP Shares pursuant to the Subscription Agreement.

Utilico's obligations under the Subscription Agreement are structurally subordinated to the liabilities of Utilico under the Loan Facility, which is secured against Utilico's assets. Accordingly if there are defaults under that facility and the lender were to enforce that security, that would have a material adverse effect on the ability of Utilico to meet its obligations to Utilico Finance and thereby on Utilico Finance's ability to pay the Final Capital Entitlement in full on the relevant ZDP Repayment Date.

ZDP Shareholders will not receive any payment until the relevant ZDP Repayment Date

ZDP Shareholders only have the right to receive the Final Capital Entitlement on the relevant ZDP Repayment Date. ZDP Shareholders wishing to realise their investment earlier will have to dispose of their ZDP Shares through the stock market.

Final Capital Entitlement is not guaranteed

The Final Capital Entitlement for each class of ZDP Share, which is intended to be paid on the relevant ZDP Repayment Date, is not guaranteed. Utilico Finance's ability to pay the Final Capital Entitlement for each class of ZDP Share is dependent on it having sufficient cash resources to meet such obligation or Utilico meeting its obligation under the Subscription Agreement to contribute such funds to Utilico Finance. If Utilico does not, or is unable to, meet its obligations under the Subscription Agreement, Utilico Finance will be unable to pay the Final Capital Entitlement of the relevant class of ZDP Shares and ZDP Shareholders may lose some or all of their entitlement.

Should the total assets of the Group have fallen, based on the Assumptions, by more than:

(a) in the case of the 2014 ZDP Shares, 37.8% per annum until 31 October 2014;

(b) in the case of the 2016 ZDP Shares, 14.8% per annum until 31 October 2016; and

(c) in the case of the 2018 ZDP Shares, 6.4% per annum until 31 October 2018,

the holders of each class will receive less than their respective Final Capital Entitlement.

The ability of Utilico to meet its obligations under the Subscription Agreement depends on its ability to realise value from its investment portfolio or to borrow funds on or prior to the relevant ZDP Repayment Date. Events or changes that will have a material adverse effect on the business of Utilico or on the Group's ability to realise its investments for their present value may have a material adverse effect on Utilico's ability to meet its obligations to Utilico Finance under the Subscription Agreement and thereby on Utilico Finance's ability to pay the Final Capital Entitlement in full on the relevant ZDP Repayment Date.

The ZDP Shares have differing priorities on a return of capital

In the event that the Company or Utilico Finance is wound up prior to 31 October 2012, holders of 2012 ZDP Shares will rank in priority to holders of 2014 ZDP Shares, who in turn will rank in priority to holders of 2016 and 2018 ZDP Shares, in respect of their Accrued Capital Entitlements.

In the event that the Company or Utilico Finance is wound-up prior to 31 October 2014, holders of 2014 ZDP Shares will rank in priority to holders of 2016 ZDP Shares who in turn will rank in priority to holders of 2018 ZDP Shares in respect of their Accrued Capital Entitlements.

In the event that the Company is wound up after 31 October 2014 but before 31 October 2016 holders of 2016 ZDP Shares will rank in priority to holders of 2018 ZDP Shares in respect of their Accrued Capital Entitlements.

No guarantee that a listing will be maintained

Listing Rule 14.2.2 requires a minimum of 25 per cent. of the ZDP Shares to be in public hands. Persons in the same group or acting in concert who have an interest in 5 per cent. or more of the ZDP Shares will be excluded from the calculation of the public hands requirement.

The Rollover Offer is conditional on Admission, and therefore subject to the satisfaction of Listing Rule 14.2.2 as to the number of 2018 ZDP Shares held in public hands as at Admission. The Directors will have the discretion to scale back elections under the Rollover Offer otherwise than on a *pro rata* basis and whether or not such elections are in excess of a 2012 ZDP Shareholder's Basic Entitlement if the Directors consider this necessary to ensure that sufficient 2018 ZDP Shares are held in public hands to satisfy the Listing Rule requirement. In particular, the Directors may exercise their discretion so that the relevant 2018 ZDP Shares can be placed pursuant to the Placing in order to satisfy this Listing Rule.

If the number of ZDP Shares in public hands of any class falls below the requisite threshold after listing, then a listing of that class of ZDP Share may not be capable of being maintained and this is likely to reduce the liquidity of the affected ZDP Shares and to have a material adverse effect on the ability to sell ZDP Shares for value prior to the relevant ZDP Repayment Date.

No guarantee active trading market will develop or be maintained for any class of ZDP Shares

Listing should not be taken as implying that there will be a liquid market for any class of ZDP Shares. The ZDP Shares of any class may not be widely held. There can be no guarantee an active trading market will develop or be sustained for any class of ZDP Shares after listing. If an active trading market is not developed or maintained, the liquidity and trading prices of the relevant ZDP Shares could be adversely affected.

Interest rate rises are likely to lead to reductions in the market value of the ZDP Shares

The market value of the ZDP Shares will be affected by changes in general interest rates, with upward movements in interest rates likely to lead to reductions in the market value of the ZDP Shares, as the differential in return profile between the ZDP Shares and alternative investments is likely to narrow.

ZDP Shares may trade at a discount

ZDP Shares may trade at a discount to their Accrued Capital Entitlement, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition and prospects of the Group. The value of the ZDP Shares can go down as well as up.

Other factors that may impact on market price and the realisable value of the ZDP Shares

The market price and the realisable value of the ZDP Shares, will be affected by interest rates, supply and demand for the ZDP Shares, market conditions and general investor sentiment. As such, the market value and the realisable value (prior to redemption) of the ZDP Shares will fluctuate and may vary considerably. In addition, the published market price of the ZDP Shares will be, typically, their middle market price. Due to the potential difference between the middle market price of the ZDP Shares and the price at which the ZDP Shares can be sold, there is no guarantee that the realisable value of the ZDP Shares will be the same as the published market price.

General

ZDP Shares are intended to be held over the long term and are not suitable as a short-term investment. There can be no guarantee that any appreciation in the value of Utilico's investments will occur and investors may not get back the full value of their investment. There can be no guarantee that Utilico's investment objective will be met.

Risks relating to Utilico and Utilico Finance

Past performance

The past performance of Utilico and other investment companies managed or advised by the Manager or its affiliates is not indicative of the future performance of Utilico. There can be no guarantee that Utilico's investment objective will be achieved. Utilico's ability to achieve returns may be adversely affected in the event of significant or sustained changes in market returns or volatility. Prospective investors should regard an investment in Utilico as long-term in nature and they may not recover the full amount initially invested or any amount at all.

As with any investment in companies, Utilico's investments may fall in value with the maximum loss on such investments being the value of the initial investment and, where relevant, any gains or subsequent investments made.

Investment Strategies

The success of the investment strategies followed by the Manager depends upon the Manager's success at correctly interpreting market data. Any factor which would make it more difficult to buy or sell investments in any country where Utilico may invest may have an adverse affect on the profitability of Utilico. No assurance can be given that the strategies to be used will be successful under all or any market conditions.

The performance of Utilico's investment programme depends to a great extent on correct assessments of the future course of price movements of securities and other investments selected by the Manager. There can be no assurance that the Manager will be able to accurately predict these price movements. With respect to the investment strategies utilised by the Manager, there is always some, and occasionally a significant, degree of market risk.

Utilities and Infrastructure Sectors

Utilico's investments are concentrated in the utilities, infrastructure and related sectors. Accordingly, Utilico may be regarded as representing a different risk than a generalist investment company.

Any utilities and infrastructure companies in which Utilico invests are, in general, exposed to a higher level of political and regulatory risk than companies in the stock market as a whole. In certain countries, the utilities and infrastructure regulatory framework is still developing. The existing dominant market position of some utilities and infrastructure companies may be eroded as their sectors are exposed to greater competition as a result of regulatory steps.

Utilico may invest in newly privatised companies or companies which subsequently become privatised and this may involve additional risks relating to the capital structures of such companies.

Utilico's direct and indirect investment portfolio is relatively concentrated with the top 10 holdings accounting for over 65 per cent. of the portfolio (as at the latest practicable date prior to publication of this document) and includes Infratil Limited (a holding company with investments in the power and transportation sectors) and Utilico Emerging Markets Limited (an investment company investing in infrastructure, utility and related sectors, mainly in emerging markets) which may have common investments with Utilico.

Risks Relating to the Investment Policy

The Company's investment policy is broad in scope and permits investment in the securities of companies in specialist sectors and smaller and/or unquoted companies that can involve greater risk than is customarily associated with investment in larger, more established companies. It may be difficult to value or realise investments in such companies as they are often less liquid and potentially subject to a greater degree of price fluctuation. Any factor which would make it more difficult to buy or sell investments may have an adverse effect on the profitability of Utilico. Even successful investments made by Utilico may be illiquid for prolonged periods of time. Proper information for determining the value of such securities or the risks to which they are exposed may also not be readily available.

Debt instruments held by the Group will be affected by general changes in interest rates that will result in increases and decreases in the market value of those instruments. Debt instruments will also be subject to credit or default risks associated with such assets.

The past performance of the Group and other investment companies managed or advised by the Manager or its affiliates is not a guide to the future performance of the Group.

Economic Conditions

The Company and its investments are materially affected by conditions in the global financial markets and economic conditions throughout the world, including, but not limited to, rising interest rates, inflation, business and consumer confidence, availability of credit, currency exchange rates and controls, changes in laws, trade barriers, commodity prices, terrorism and political uncertainty. These factors are outside the Company's control and may affect the level and volatility of securities prices and the liquidity and the value of investments, which could adversely affect the Company's profitability, Net Asset Value and prices of the Group's securities.

During periods of adverse economic conditions, the Company may have difficulty accessing financial markets, which could make it more difficult or impossible for the Company to obtain funding for additional investments or the redemption of ZDP Shares.

Global capital markets have been experiencing extreme volatility and disruption for more than two years as evidenced by a lack of liquidity in the equity and debt capital markets, significant write-offs in the financial services sector, the repricing of credit risk in the credit market, the failure of major financial institutions and downgrades to sovereign credit ratings and debt defaults. Despite actions of government authorities, these events have contributed to worsening general economic conditions that have materially and adversely affected the broader financial and credit markets and reduced the availability of debt and equity capital. Such financial market disruptions may have a negative effect on the Company's investments.

ZDP Redemption Dates

In the event that a redemption date of any class of ZDP Share coincides with a period of extreme market volatility, the Company may be forced to liquidate certain of its investments at a materially disadvantageous point in time in order to generate sufficient redemption proceeds. An inability to delay a liquidation of such assets until such time as market conditions are more favourable may serve to materially prejudice future Shareholder returns, including but not limited to, the right of other ZDP Shareholders to receive their full Final Capital Entitlement on the relevant ZDP Repayment Date.

Political and Country Risks

Utilico may invest directly or indirectly (including through its investment in Utilico Emerging Markets Limited) in investments based in countries where regulatory frameworks are still developing. Such countries are likely to be predominantly those which are included in leading emerging market indices. There is no assurance that future political and economic conditions in the individual countries in which Utilico directly or indirectly invests will not result in their governments adopting different policies with respect to foreign investment. Any such changes in policy may affect ownership of assets, taxation, rates of exchange, environmental protection, labour relations, repatriation of income and return of capital, thereby influencing Utilico's ability to generate profits. Such policy changes could extend to the expropriation of assets.

Investment by foreign investors may require consents or be subject to limitations, and repatriation of investment income, capital and the proceeds of sales by foreign investors may require government registration and/or approval. Utilico could be adversely affected by delays in or a refusal to grant any required government approval or by any lack of availability of foreign exchange.

Companies in some countries are not always subject to accounting, auditing and financial reporting standards, practices and disclosure requirements comparable to those applicable to companies incorporated in the United Kingdom. In addition, there may be less government supervision and regulation of stock exchanges, brokers and listed companies in some countries in which Utilico may invest directly or indirectly compared to countries with more advanced securities markets. Notwithstanding the foregoing, Utilico will continue to comply with any obligations applicable to the main market for listed securities of the London Stock Exchange.

Other Investment Types

Utilico has the flexibility to invest in shares, bonds, convertibles and other types of securities, including non-investment grade bonds and to invest in unlisted securities. Utilico may also use derivative instruments such as American Depositary Receipts, promissory notes, foreign currency hedges, interest rate hedges, contracts for difference, financial futures, call and put options and warrants and similar instruments for investment purposes and efficient portfolio management, including protecting Utilico's portfolio and balance sheet from major corrections and reducing, transferring or eliminating investment risks in its investments. There may not be a price correlation between price movements in the underlying securities, currency or index, on the one hand, and price movements in the investments which are the subject of the hedge, on the other hand, leading to losses due to Utilico's hedging strategy. In addition, an active market may not exist for a particular derivative instrument at any particular time, meaning that Utilico is unable to hedge against a particular risk. No assurance can be given that the hedging strategies which may be used by Utilico will be successful under all or any market conditions.

These instruments are also subject to credit, liquidity and interest rate risks. Adverse changes in the financial position of an issuer of such securities or economic conditions generally may increase counterparty risk by impairing the ability of the issuer to make payments of interest or principal. Furthermore, if any of Utilico's counterparties were to default on their obligations under derivative contracts it could have a material adverse effect on Utilico, including its financial position.

Utilico holds shares linked to a segregated account of GERP, an unquoted Bermuda segregated accounts company, for the sole purpose of carrying out derivative transactions at the request of and on behalf of Utilico in order that it may make investments more efficiently and for the purposes of efficient portfolio management. Under the terms of a loan agreement entered into between GERP and Utilico, GERP may draw down funds from Utilico to meet certain costs and liabilities arising from any assets held in Utilico's segregated account. Accordingly, in the event that Utilico's hedging policies (implemented through its investment in GERP) lead to losses being suffered or funds being required by GERP, Utilico may be obliged to provide loans to GERP under the terms of this loan agreement. Although Utilico does not currently expect to be required to provide material loans to GERP, if Utilico is required to provide such loans this could result in losses being suffered by Utilico and have a material adverse effect on Utilico, including its financial position.

Utilico may invest in unlisted and unquoted securities. These types of securities are generally subject to higher valuation uncertainties and liquidity risks than securities listed or traded on a regulated market.

A proportion of Utilico's portfolio may be held in cash from time to time. Such proportion of Utilico's assets will be out of the market and will not benefit from positive stock market movements.

Investment in Investment Companies

Unlike certain other investment companies, it is not a central part of Utilico's investment policy to invest in other investment companies. However, Utilico has flexibility to invest in other investment companies and in particular has significant investments in Infratil Limited and Utilico Emerging Markets Limited. Investment in other investment companies can expose Utilico to further layers of fees (although ICM will not earn a management fee in respect of assets invested by Utilico in funds managed or advised by ICM or its subsidiaries and the investment in Utilico Emerging Markets Limited is disregarded in calculating performance fees on Utilico's portfolio) and gearing. Underlying investment companies may also invest in other investment companies (but cross investment between investment companies is not expected to be a factor, though it will be assessed at the time of any investment).

Special Situations

Utilico may invest in companies involved in (or the target of) acquisition attempts or tender offers or companies involved in work-outs, liquidations, spin-offs, reorganisations, bankruptcies and similar transactions. There exists the risk that the transaction in which such business enterprise is involved either will be unsuccessful, take considerable time, or will result in a distribution of cash or a new security the value of which will be less than the purchase price of the security or other financial instrument in respect of which such distribution is received. Similarly, if an anticipated transaction does not in fact occur, Utilico may be required to sell its investment at a loss. Because there may be uncertainty concerning the outcome of transactions involving financially troubled companies in which Utilico may invest, there is a potential risk of loss by Utilico of its entire investment in such companies.

Borrowings

Utilico uses gearing in addition to the structural gearing provided by the ZDP Shares. Gearing can be employed in a variety of ways, including direct borrowing, buying securities on margin and the use of futures, warrants, options and other derivative products. Generally, gearing is used to increase the overall level of investment in a portfolio. Higher investment levels may offer the potential for higher returns. This exposes investors to increased risk as gearing can increase the portfolio's market exposure and volatility. In particular, whilst the use of borrowings should enhance the total return on Utilico's portfolio where the return on Utilico's underlying assets is rising and exceeds the cost of borrowing, it will have the opposite effect where the underlying return is falling, further reducing the total return on Utilico's portfolio. Furthermore, should any fall in the underlying asset value result in Utilico breaching financial covenants contained in any loan facilities, it may be required to repay such borrowings in whole or in part together with any attendant costs. Such a requirement could result in Utilico being forced to sell investments at lower prices than would normally be obtained. This could adversely affect the capital and income returns to Shareholders.

Exchange Risks

Utilico invests a substantial part of its assets in securities which are not denominated or quoted in sterling, the base currency of Utilico. The Group's Net Asset Value is reported in sterling, part of the borrowings of Utilico are incurred (and interest paid) in sterling, the accrual on the ZDP Shares is in sterling terms and dividends (if any) will be declared and paid in sterling. The movement of exchange rates between sterling and any other currencies in which Utilico's investments are denominated or the base currency of an investor may have a separate effect, unfavourable as well as favourable, on the return otherwise experienced on the investments made by Utilico. Hedging arrangements relating to foreign currency returns and exposures, if any are put in place, may or may not have the desired effect.

Those persons who acquire or hold ZDP Shares and whose base currency is not sterling will have a currency risk by virtue of holding such securities.

Shareholder Diversity

The Shareholders and ZDP Shareholders may include taxable and tax-exempt entities and persons or entities organised and residing in various jurisdictions, who may have conflicting investment, tax and other interests with respect to their investments in the Group. The conflicting interests of individual holders of Ordinary Shares and holders of each class of ZDP Shares may relate to or arise from, among other things, the nature of investments made by the Company, and the timing of the acquisition and disposition of investments. Conflicts of interest may arise in connection with decisions made by the Manager, including the selection of investments which may be more beneficial for one Shareholder or ZDP Shareholder than for another Shareholder or ZDP Shareholder. In selecting and structuring investments appropriate for the Group, the Manager will consider the investment and tax objectives of the Group as a whole, not the investment, tax or other objectives of any Shareholder or ZDP Shareholder of the Group individually.

Potential Conflicts of Interest

The Manager currently serves as investment manager to Utilico Emerging Markets Limited as well as Utilico, and the Manager and its associates may be involved in other financial, investment or professional activities in the future, including advising other investment clients. In particular, they may provide investment management, investment advice or other services in relation to investment companies which may have similar investment policies to that of Utilico. As a result, the Manager may have conflicts of interest in allocating investments among Utilico and other clients, including ones in which it or its affiliates may have a greater financial interest.

The Manager will have regard to its obligations under its investment management agreement with Utilico or otherwise to act in a manner that it considers fair, reasonable and equitable having regard to its obligations to other clients, when potential conflicts of interest arise.

Utilico and Utilico Emerging Markets Limited both invest in infrastructure, utility and related companies. As a result it is possible that conflicts of interest may arise with regard to potential investments. To minimise this risk an investment allocation policy has been adopted by both companies.

Risk relating to the Manager

The Manager has, subject to compliance with the investment policy of the Company, substantial discretion in the management of the Company's interests including the selection of the industry, geography, investment strategy and the timing of investments. While the Utilico Board will review compliance with the investment policy and may direct the Manager to take certain actions in connection with the Company's investments, the Board is not expected to review or approve all individual investment decisions.

The ability of Utilico to achieve its stated investment objective is significantly dependent upon the expertise of the Manager and its ability to attract and retain suitable staff. Utilico is also reliant upon the skills of its Directors and employees and the loss of any of these members of staff could reduce its ability to achieve its stated investment objective. Utilico and the Manager have endeavoured to ensure that the principal members of their management teams are suitably incentivised, but the retention of such staff cannot be guaranteed. There can be no assurance that the Directors of the Company will be able to find a replacement manager if the Manager resigns. In this event the Directors would have to formulate and put to the Shareholders proposals for the future of the Company.

Operational and reputational risks

The Company relies heavily on the Manager's and Administrator's financial, accounting and other data processing systems. If any of these systems do not operate properly or are disabled, the Company could suffer financial loss, a disruption of its businesses, regulatory intervention or reputational damage. The Company's disaster recovery programs may not be sufficient to mitigate the harm that may result from such a disaster or disruption. In addition, insurance and other safeguards might only partially reimburse the Company for its losses, if at all. It is also possible that, from time to time, the Manager or the Company will be named as parties to litigation, which could cause substantial reputational damage to the Company or disrupt its investment strategy, business or potential growth.

Taxation

Any change in the Group's tax status or in taxation legislation could affect the value of the investments held by the Group; the Group's ability to provide returns to Shareholders; or alter the post tax returns to Shareholders. Representations in this document concerning the taxation of Shareholders are based on current law and practice, which are subject to change. The information in this document relating to taxation law and practice is given by way of general summary and does not constitute legal or tax advice to Shareholders.

Any change in the tax treatment of dividends or interest received by the Group may reduce the returns to Shareholders.

Calculation of Net Asset Value

In calculating the Group's Net Asset Value the Administrator may rely on the Board's valuations of companies in which Utilico invests. Such valuations may be unaudited or may be subject to little verification or other due diligence and may not comply with generally accepted accounting practices or other valuation principles.

Suspension of Trading

Securities exchanges typically have the right to suspend or limit trading in any instrument traded on that exchange. Any suspension of any security held by Utilico could render it impossible for Utilico to liquidate positions and thereby expose Utilico to potential losses.

No Investment Company Act registration

Neither Utilico nor Utilico Finance has been or will be registered under the Investment Company Act. The Investment Company Act provides certain protections to investors and imposes certain restrictions on registered investment companies, none of which have been or will be applicable to Utilico or Utilico Finance. To avoid being required to register as an investment company under the Investment Company Act and to avoid violating that Act, Utilico Finance has implemented restrictions on the ownership of the ZDP Shares, which may require certain ZDP Shareholders' to transfer their shareholdings.

No Takeover Protection

Utilico is incorporated in Bermuda and is managed and controlled outside the UK. For those reasons the City Code does not apply to Utilico. It is emphasised that, although the Ordinary Shares are admitted to the premium listing segment of the Official List and are traded on the main market for listed securities of the London Stock Exchange, Utilico is not subject to takeover regulation in the UK. It follows that Shareholders are not entitled to the protections afforded by the City Code, and there are no similar protections under Bermuda law. In particular it will be possible for an individual investor or a group of investors acting in concert to acquire Ordinary Shares representing 30 per cent. or more of the issued share capital of Utilico or to exercise control over Utilico's affairs without being under an obligation to make an offer to acquire the Ordinary Shares not owned by them, as would be required by Rule 9 of the City Code.

As at 30 November 2011, the Ordinary Shares held by GPLPF represented 58.8 per cent. of the voting rights exercisable on a poll at a general meeting of Utilico.

Enforcement of Judgements

As Utilico and Utilico Finance are Bermuda exempted companies, the rights of Shareholders and ZDP Shareholders are governed by Bermuda law and the Memorandum of Association and Bye-laws of Utilico and Utilico Finance. The rights of shareholders under Bermuda law may differ from the rights of shareholders of companies incorporated in other jurisdictions. The majority of the Directors referred to in this document are not residents of the UK and a significant part of the Group's assets is expected to be located outside of the UK. As a result, it may be difficult for investors to effect service of process on those persons in the UK or to enforce UK judgements obtained in the UK courts against Utilico, Utilico Finance or those persons who may be liable under UK law.

Alternative Investment Fund Managers Directive

The European Commission published the Alternative Investment Fund Managers Directive (the "Directive") on 1 July 2011. The Directive, which came into effect on 21 July 2011, may have significant consequences for the Group (and all similar investment companies) which might materially increase compliance and regulatory costs. Whilst the Directive is now in force, the deadline for its transposition into national laws is currently July 2013. There is continuing debate on the so called third country provisions, which may materially affect the Company and Utilico Finance as they are incorporated in Bermuda. The Board and ICM will continue to monitor the progress and likely implications of the Directive.

ACTION TO BE TAKEN

This section applies only to holders of 2012 ZDP Shares. Holders of Ordinary Shares, Warrants, 2014 ZDP Shares and/or 2016 ZDP Shares do not need to take any action.

Accompanying this document is a Form of Election in respect of the Rollover Offer.

IF YOU DO NOT WISH TO PARTICIPATE IN THE ROLLOVER OFFER IN RESPECT OF ANY OF YOUR 2012 ZDP SHARES OR YOU ARE AN OVERSEAS ZDP SHAREHOLDER, YOU NEED NOT COMPLETE OR RETURN THE FORM OF ELECTION.

Holders of 2012 ZDP Shares that are held in certificated form

To elect to participate in the Rollover Offer in respect of 2012 ZDP Shares in certificated form complete and return the Form of Election by post to Corporate Actions Projects, Bristol BS99 6AH or by hand (during normal business hours) to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS13 8AE as soon as possible and in any event by no later than 5.00 p.m. on 13 January 2012. A pre-paid envelope is enclosed for your use.

The Company reserves the absolute right to inspect (either itself or through its agents) all Forms of Election and may consider void and reject any Form of Election that does not in the Company's sole judgement (acting reasonably) meet the requirements of the Rollover Offer. The Company also reserves the absolute right to waive any defect or irregularity in relation to the acceptance of the Rollover Offer by Eligible Shareholders, including any Form of Election (in whole or in part) which is not entirely in order or which is received after the Closing Date, missing share certificate(s) and/or other document(s) of title or an indemnity acceptable to the Company in lieu thereof. None of the Company, the Receiving Agent or any other person will be under any duty to give notification of any defects or irregularities in acceptances under the Rollover Offer or incur any liability for failure to give any such notification.

If a holder of 2012 ZDP Shares signs and returns a Form of Election but does not specify in Box 1 of the form how many 2012 ZDP Shares he wishes to elect to participate in the Rollover Offer he will be deemed to have elected to participate in respect of his Basic Entitlement.

Holders of 2012 ZDP Shares that are held in uncertificated form (that is through CREST)

To elect to participate in the Rollover Offer in respect of 2012 ZDP Shares held as Depositary Interests in uncertificated form you should send (or if you are a CREST sponsored member procure that your CREST sponsor sends) to Euroclear a TTE instruction in relation to your 2012 ZDP Shares. A TTE instruction to Euroclear must be properly authenticated in accordance with Euroclear's specifications for Transfer to Escrow and must contain the following details:

- the corporate action number of the Rollover Offer. This is allocated by Euroclear and will be available on screen from Euroclear:
- the number of 2012 ZDP Shares in respect of which you wish to elect to participate in the Rollover Offer;
- your Member Account ID;
- your participant ID;
- the participant ID of the escrow agent, in its capacity as a CREST receiving agent. This is RA69;
- the Member Account ID of the escrow agent. This is: UTILICO1;
- the intended settlement date for the Rollover Offer, being 26 January 2012;
- the ISIN of the 2012 ZDP Shares. This is: BMG931261033;
- input with the standard delivery instruction, priority 80; and
- a contact name and telephone number in the shared note field.

A CREST sponsor who sends or is treated as sending a valid dematerialisation instruction in accordance with the above procedures, will thereby represent and warrant that it is not an, and is not sending the dematerialisation instruction on behalf of any, Overseas ZDP Shareholder.

Full details of the action to be taken are set out in this document and in the instructions on the Form of Election. **YOU SHOULD READ THE WHOLE OF THIS DOCUMENT, WHICH CONTAINS THE MATERIAL TERMS OF THE PROPOSALS, AND NOT JUST THIS SECTION WHEN DECIDING WHAT ACTION TO TAKE.**

The attention of Overseas ZDP Shareholders is drawn to the section headed "Overseas ZDP Shareholders" of the Chairman's Letter set out on page 27 of this document.

If you have any queries in relation to your shareholding(s), please contact Computershare Investor Services PLC by telephone on 0870 873 5861 (or +44 (0)870 873 5861 if calling from outside the United Kingdom). Calls to the helpline from outside the UK will be charged at applicable international rates. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. Computershare Investor Services PLC can only provide information regarding the completion of the Form of Election and cannot advise on the merits of the Proposals or provide you with investment or tax advice.

IMPORTANT INFORMATION

Forward-Looking Statements

This document includes statements that are, or may be deemed to be "forward-looking statements". These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "plans", "projects", "anticipates", "expects", "intends", "may", "will", or "should" or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this document and include statements regarding the Group's intentions, beliefs or current expectations concerning, among other things, the Group's financial condition and prospects.

By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. A number of factors could cause results and developments to differ materially from those expressed or implied by the forward-looking statements including, without limitation, the factors discussed in the sections entitled "Risk Factors" on pages 7 to 15 of this document and in "Part 2 – Information about the Group".

Forward-looking statements may and often do differ materially from actual results. Any forward-looking statements in this document reflect Utilico Finance's current view with respect to future events and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to the Group. Investors should specifically consider the factors identified in this document which could cause actual results to differ before making an investment decision. Subject to the requirements of the Prospectus Rules, the Listing Rules and Disclosure and Transparency Rules, Utilico Finance undertakes no obligation publicly to release the result of any revisions to any forward-looking statements in this document that may occur due to any change in Utilico Finance's expectations or to reflect events or circumstances after the date of this document. For the avoidance of doubt, nothing in this paragraph constitutes a qualification of the working capital statement contained in paragraph 4 of Part 6B of this document.

Times and Dates

References to times and dates in this document are, unless otherwise stated, to United Kingdom times and dates.

Distribution

The distribution of this document and the accompanying documents in certain jurisdictions may be restricted by law and, accordingly, persons into whose possession this document and the accompanying documents come should inform themselves about and observe any such restrictions. Any failure to comply with any such restrictions may constitute a violation of the securities laws of the jurisdiction concerned. This document and the accompanying documents do not constitute or form part of any offer or invitation to sell or issue or the solicitation of any offer to purchase or subscribe for Ordinary Shares and/or ZDP Shares in any jurisdiction in which such offer, invitation or solicitation is unlawful. In particular, no Ordinary Shares and/or ZDP Shares have been, or will be, registered under the United States Securities Act of 1933 (as amended) (the "Securities Act"), or under the securities laws of any state or other political sub-division of the United States or under the applicable securities laws of Australia, Canada, Japan, New Zealand or the Republic of South Africa. Accordingly, subject to certain exceptions, no Ordinary Shares and/or ZDP Shares may, directly or indirectly, be offered, sold, transferred, taken up or delivered, directly or indirectly, in the United States, Australia, Canada, Japan, New Zealand or the Republic of South Africa or for the benefit of any US Person (within the meaning of Regulation S made under the Securities Act) and this document will not be posted to any person in the United States, Australia, Canada, Japan, New Zealand or the Republic of South Africa.

No person has been authorised to give any information or to make any representations other than those contained in this document and, if given or made, such information or representations must not be relied on as having been authorised by Utilico Finance or Utilico. This document does not constitute an offer to sell or the solicitation of an offer to buy any securities in any circumstances in which such offer or solicitation is unlawful. The delivery of this document shall not under any circumstances imply that the information contained herein is correct as at any time subsequent to the date hereof or that there has not been any change in the affairs of the Group since the date hereof.

CONSEQUENCES OF A STANDARD LISTING

Application has been made for the 2018 ZDP Shares and the Placing Shares to be admitted to the standard segment of the Official List pursuant to Chapter 14 of the Listing Rules. A standard listing affords ZDP Shareholders a lower level of regulatory protection than that afforded to investors in securities that are admitted to the premium segment of the Official List.

It should be noted that the UK Listing Authority will not have the authority to (and will not) monitor Utilico Finance's compliance with any of the Listing Rules and/or any provision of the Model Code or those aspects of the Disclosure and Transparency Rules which Utilico Finance may comply with on a voluntary basis, nor will it impose sanctions in respect of any failure by Utilico Finance to so comply.

As the 2018 ZDP Shares and the Placing Shares will have a standard listing, Utilico Finance is not required to comply with the provisions of, among other things:

- Chapter 8 of the Listing Rules regarding the appointment of a listing sponsor to guide the company in understanding and meeting its responsibilities under the Listing Rules in connection with certain matters;
- Chapter 9 of the Listing Rules relating to continuing obligations;
- Chapter 10 of the Listing Rules relating to significant transactions which requires shareholder consent for certain acquisitions;
- Chapter 11 of the Listing Rules regarding related party transactions;
- Chapter 12 of the Listing Rules regarding purchases by an issuer of its own shares; and
- Chapter 13 of the Listing Rules regarding the form and content of circulars to be sent to shareholders.

Utilico however, as an issuer with a premium listing of its securities, does comply with the requirements of these Listing Rules as they relate to it and its subsidiary undertakings.

In addition, the Subscription Agreement and Utilico Finance's Bye-laws contain provisions, as outlined in more detail in Part 5 and Part 9 of this document, which are designed to protect the interests of ZDP Shareholders.

PLACING AND ISSUE STATISTICS

The following illustrative financial statistics are based on, and should be read in conjunction with, the Assumptions set out in Part 8 of this document. Prospective investors should note that actual outcomes can be expected to differ from these illustrations. The illustrations are not guarantees of future performance and involve certain risks and uncertainties that are hard to predict. Investors should therefore not rely on the illustrations. The attention of prospective investors is also drawn to the risk factors set out on pages 7 to 15 of this document.

2018 ZDP Shares

2018 ZDP Share issue price	100p
Initial Capital Entitlement per 2018 ZDP Share	100p
Final Capital Entitlement per 2018 ZDP Share	160.52p
Gross Redemption Yield at 2018 ZDP issue price	7.25%
ZDP Cover following the Rollover Offer	1.67x
ZDP Cover following the Rollover Offer and Placing	1.57x

2016 ZDP Shares

2016 ZDP Share price as at 30 November 2011	148.5p
Accrued Capital Entitlement per 2016 ZDP Share as at 30 November 2011	136.64p
Final Capital Entitlement per 2016 ZDP Share	192.78p
Gross Redemption Yield (based on 2016 ZDP Share price as at 30 November 2011)	5.45%
ZDP Cover following the Rollover Offer	2.41x
ZDP Cover following the Rollover Offer and Placing	2.15x

2014 ZDP Shares

2014 ZDP Share price as at 30 November 2011	149.5p
Accrued Capital Entitlement per 2014 ZDP Share as at 30 November 2011	136.64p
Final Capital Entitlement per 2014 ZDP Share	167.60p
Gross Redemption Yield (based on 2014 ZDP Share price as at 30 November 2011)	3.99%
ZDP Cover following the Rollover Offer	4.02x
ZDP Cover following the Rollover Offer and Placing	3.72x

Maximum size of the Placing	10,000,000 2014 ZDP Shares
	10,000,000 2016 ZDP Shares
	49,842,413 2018 ZDP Shares*
Placing Price	not less than the Accrued Capital Entitlement of the relevant class of existing ZDP Shares at the time of allotment**

* This assumes that no 2018 ZDP Shares are taken up under the Rollover Offer. The number of 2018 ZDP Shares available under the Placing will be reduced to the extent that 2018 ZDP Shares are taken up under the Rollover Offer subject to the Directors not exercising their discretion to scale back elections under the Rollover Offer

**The maximum Placing Price will be equal to the best offer price per the relevant class of existing ZDP Shares at the time the proposed allotment is agreed

EXPECTED TIMETABLE

Prospectus published	2 December 2011
Placing opens	2 December 2011
Record Date for the Rollover Offer	5.00 p.m. on 13 January 2012
Latest time for receipt of Forms of Election and TTE Instructions in connection with the Rollover Offer	5.00 p.m. on 13 January 2012
Announcement of the result of the Rollover Offer	20 January 2012
Admission of 2018 ZDP Shares to the Official List and dealings commence on the London Stock Exchange	26 January 2012
Earliest date for New ZDP Shares to be issued pursuant to the Placing	26 January 2012
Placing closes and last date for New ZDP Shares to be issued pursuant to the Placing	1 December 2012

*All references to times are to London time unless specified otherwise

DEALING CODES

The dealing codes for the 2018 ZDP Shares will be as follows:

ISIN	BMG931261371
Ticker	UTLD

DIRECTORS, MANAGER AND ADVISERS

Directors	Roger Urwin *(Chairman)* Peter Burrows John Michael Collier Susan Hansen Eric Stobart
Registered Office	Canon's Court 22 Victoria Street Hamilton HM12 Bermuda
Assistant Secretary	Appleby Services (Bermuda) Ltd. Canon's Court 22 Victoria Street Hamilton HM12 Bermuda
Manager	ICM Limited 19 Par-la-Ville Road Hamilton HM11 Bermuda A representative of the Manager can be contacted by telephone on: + 44 (0) 1372 271486
Financial Adviser, Broker and Placing Agent	Westhouse Securities Limited One Angel Court London EC2R 7HJ
Legal Adviser to the Group *as to English law*	Norton Rose LLP 3 More London Riverside London SE1 2AQ
Legal Adviser to the Group *as to Bermuda law*	Appleby (Bermuda) Limited Canon's Court 22 Victoria Street Hamilton HM12 Bermuda
Administrator and Secretary	F&C Management Limited Exchange House Primrose Street London EC2A 2NY Telephone: +44 (0) 207 628 8000
Reporting Accountants and Registered Auditor	Grant Thornton UK LLP 30 Finsbury Square London EC2P 2YU
Custodians	JPMorgan Chase Bank, N.A. 125 London Wall London EC2Y 5AJ Telephone: +44(0) 207 777 2000 Bermuda Commercial Bank Limited 19 Par-la-Ville Road Hamilton HM11 Bermuda

Legal Adviser to the Financial Adviser, Broker and Placing Agent *as to English law*	Norton Rose LLP 3 More London Riverside London SE1 2AQ
Registrar	Computershare Investor Services (Jersey) Limited Queensway House Hilgrove Street St Helier Jersey JE1 1ES
Depositary and CREST Agent	Computershare Investor Services PLC The Pavilions Bridgwater Road Bristol BS13 8AE

PART 1

LETTER FROM THE CHAIRMAN

UTILICO FINANCE LIMITED

(Incorporated in Bermuda under the Companies Act 1981, as amended, with company number 39479)

Directors:	*Registered Office:*
Roger Urwin *(Chairman)*	Canon's Court
Peter Burrows	22 Victoria Street
Michael Collier	Hamilton HM12
Susan Hansen	Bermuda
Eric Stobart	

2 December 2011

To holders of 2012 ZDP Shares and, for information only, to holders of Ordinary Shares, 2014 ZDP Shares, 2016 ZDP Shares and Warrantholders

Introduction

Your Board has today announced detailed proposals to provide holders of existing 2012 ZDP Shares with the opportunity to roll over some or all (subject to the overall limits of the Rollover Offer) of their 2012 ZDP Shares into a new class of 2018 ZDP Shares and for a placing of up to 10.0 million 2014 ZDP Shares, 10.0 million 2016 ZDP Shares and, to the extent that the Rollover Offer is not taken up in full, up to 49.8 million 2018 ZDP Shares.

The purpose of this letter is to explain the Proposals and why the Board considers them in the best interests of ZDP Shareholders as a whole.

Background to the Proposals

The Rollover Offer

Utilico Finance currently has three series of ZDP Share in issue. These are due for redemption on 31 October in 2012, 2014 and 2016 respectively. The aggregate redemption sum payable on the redemption of the 2012 ZDP Shares is approximately £80.75 million. This will be due on 31 October 2012. Following discussions regarding the payment of the Final Capital Entitlement in respect of the 2012 ZDP Shares, the Directors concluded that they wish to provide 2012 ZDP Shareholders with the opportunity to remain invested in the Group and as a result have formulated the Proposals, which consist of the Rollover Offer and Placing.

Under the Rollover Offer, each Qualifying Holder of 2012 ZDP Shares on the Record Date will be given the opportunity to rollover up to 65 per cent. of their Qualifying Holding into new 2018 ZDP Shares. The Rollover Value attributed to the 2012 ZDP Shares will be equal to their Accrued Capital Entitlement as at the Rollover Date, which will be 168.58p per 2012 ZDP Share. The new 2018 ZDP Shares arising on the conversion of 2012 ZDP Shares pursuant to the Rollover Offer will be deemed to be issued at the 2018 ZDP Share issue price, which will be 100p per 2018 ZDP Share.

The 2018 ZDP Shares will have a Gross Redemption Yield of 7.25 per cent. and a maturity date of 31 October 2018. Assuming the Rollover Offer is taken up in full, up to 49,842,413 new 2018 ZDP Shares will arise on the conversion of 2012 ZDP Shares and, based on the Assumptions, the 2018 ZDP Shares will have a ZDP Cover of 1.67x following the Rollover Offer and a ZDP Cover of 1.57x following the Rollover Offer and the Placing.

Investors should note that the predetermined capital entitlement of the ZDP Shares is not guaranteed and is dependent upon Utilico having sufficient assets to satisfy its obligations under the Subscription Agreement.

There is no present intention to put forward further proposals to 2012 ZDP Shareholders in advance of the ZDP Repayment Date in 2012.

The Placing

Utilico Finance also intends to issue, pursuant to the Placing, up to 10.0 million new 2014 ZDP Shares, 10.0 million new 2016 ZDP Shares and, to the extent that the Rollover Offer is not taken up in full, up to 49.8 million 2018 ZDP Shares. The Placing is flexible and may have a number of closing dates in order to provide Utilico Finance with the ability to issue 2014 ZDP Shares, 2016 ZDP Shares and, if applicable, 2018 ZDP Shares over a period of time. The Placing will open on 2 December 2011 and will close on 1 December 2012 (or any earlier date on which it is fully subscribed). The Placing Shares will, when issued, rank equally with the existing 2014 ZDP Shares, the existing 2016 ZDP Shares and the 2018 ZDP Shares arising under the Rollover Offer respectively.

Benefits of the Proposals

The Rollover Offer and the Placing are being proposed primarily to assist Utilico Finance in meeting its obligation to finance the Final Capital Entitlement on maturity of the 2012 ZDP Shares, by continuing to spread the aggregate final capital entitlement liability over three classes of ZDP Shares thereby reducing the extent of the investments within the Utilico portfolio which could need to be realised at a potentially inopportune time.

The Board believes the Proposals may also have the following advantages:

- maintain the capability of Utilico Finance to issue new ZDP Shares to satisfy demand over a period of time;
- to allow 2012 ZDP Shareholders to remain invested in the Group; and
- to further increase the number of ZDP Shares of each class in issue, thereby enabling the Company to attract a wider range of investors which, in turn, would be expected to improve the liquidity in the ZDP Shares.

The Rollover Offer

Under the Rollover Offer, holders of 2012 ZDP Shares are being given the opportunity to convert some or all of their holding of 2012 ZDP Shares into new 2018 ZDP Shares. The Rollover Value attributed to the 2012 ZDP Shares will be equal to their Accrued Capital Entitlement as at the Rollover Date, which will be 168.58p per 2012 ZDP Share. The Rollover Offer is limited to a maximum of 65 per cent. of the 2012 ZDP Shares in issue at the Record Date and each Qualifying Holder on the Register on the Record Date will be entitled to have accepted under the Rollover Offer his or her Basic Entitlement, which is equal to 65 per cent. of their holding of 2012 ZDP Shares as at the Record Date subject to the Directors not exercising their discretion to scale back elections under the Rollover Offer as described below.

The rights attaching to the 2018 ZDP Shares will be substantially similar to those attaching to the 2012 ZDP Shares but, subject to Admission occurring, the 2018 ZDP Shares will have an illustrative initial capital entitlement on 26 January 2012 of 100p per 2018 ZDP Share and will have a Final Capital Entitlement of 160.52p per 2018 ZDP Share on 31 October 2018, the 2018 ZDP Repayment Date, equivalent to a Gross Redemption Yield of 7.25 per cent. per annum on the 2018 ZDP Share issue price.

As with the 2012 ZDP Shares, the 2018 ZDP Shares will not carry the right to vote at general meetings of Utilico or Utilico Finance but they will carry the right to vote as a class on certain proposals which would be likely to affect materially their position. The 2018 ZDP Shares will carry no entitlement to income and the whole of any return will therefore take the form of capital.

Subject to completion of the Rollover Offer, each 2012 ZDP Share validly elected to be rolled over will be converted into 1.6858 2018 ZDP Shares to be issued on the terms set out in the New Utilico Finance Bye-Laws. Fractions of 2018 ZDP Shares will not be issued. The number of 2018 ZDP Shares arising pursuant to an election under the Rollover Offer will be rounded down to the nearest whole number and any excess monies will be retained by Utilico Finance.

The Rollover Offer is open to all Qualifying Holders on the Register at the Record Date (such Qualifying Holders being Eligible Shareholders). All such persons shall be entitled to have accepted in the Rollover Offer valid elections in respect of his or her Basic Entitlement. In addition, Eligible Shareholders may make elections in excess of their Basic Entitlement but such excess elections will only be satisfied to the extent that other 2012 ZDP Shareholders have not made valid elections in respect of all or any part of their Basic Entitlement. Elections in excess of the Basic Entitlement will be satisfied *pro rata* in proportion to the excess over the Basic Entitlement elected, rounded down to the nearest whole number of 2012 ZDP Shares and subject to the exercise of the Directors' discretion to scale back elections under the Rollover Offer as described below.

In order to elect to participate in the Rollover Offer, 2012 ZDP Shareholders are advised to refer to the section entitled ''Action to be Taken'' on pages 16 and 17 of this document and to complete the Form of Election in accordance with the instructions printed thereon or submit a TTE Instruction through CREST, in each case in accordance with the instructions set out in this document.

The Company reserves the absolute right to inspect (either itself or through its agents) all Forms of Election and may consider void and reject any Form of Election that does not in the Board's sole judgement (acting reasonably) meet the requirements of the Rollover Offer. The Company also reserves the absolute right to waive any defect or irregularity in relation to the acceptance of the Rollover Offer by Eligible Shareholders, including any Form of Election (in whole or in part) which is not entirely in order or which is received after the Closing Date, missing share certificate(s) and/or other document(s) of title or an indemnity acceptable to the Company in lieu thereof. None of the Company, the Receiving Agent or any other person will be under any duty to give notification of any defects or irregularities in acceptances under the Rollover Offer or incur any liability for failure to give any such notification.

If a holder of 2012 ZDP Shares signs and returns a Form of Election but does not specify in Box 1 of the form how many 2012 ZDP Shares he wishes to elect to participate in the Rollover Offer he will be deemed to have elected to participate in respect of his Basic Entitlement.

The Rollover Offer is conditional on Admission, and therefore subject to the satisfaction of Listing Rule 14.2.2 as to the number of 2018 ZDP Shares held in public hands as at Admission. The Directors will have the discretion to scale back elections under the Rollover Offer otherwise than on a *pro rata* basis and whether or not such elections are in excess of a 2012 ZDP Shareholder's Basic Entitlement if the Directors consider this necessary to ensure that sufficient 2018 ZDP Shares are held in public hands so as to satisfy the Listing Rule requirement. In particular, the Directors may exercise their discretion so that the relevant 2018 ZDP Shares can be placed pursuant to the Placing in order to satisfy this Listing Rule.

ZDP Shareholders who are Overseas ZDP Shareholders and any other ZDP Shareholders who do not make a valid election to roll over all or part of their ZDP Shares on the Form of Election or submit a valid TTE Instruction, will be deemed to have declined the opportunity to participate in the Rollover Offer and will continue to hold their 2012 ZDP Shares, the rights attaching to which will be unaffected by the Proposals.

Mechanics of the Rollover Offer

The Rollover Offer will be effected by the conversion of those 2012 ZDP Shares that are validly elected and accepted to participate in the Rollover Offer into new 2018 ZDP Shares pursuant to the New Utilico Finance Bye-Laws. The key points of the Rollover Offer are as follows:

Subject to completion of the Rollover Offer, each 2012 ZDP Share validly elected to be rolled over will automatically convert into 1.6858 2018 ZDP Shares on and subject to the terms and conditions set out in this document and the Form of Election.

Forthwith upon conversion, any certificates relating to 2012 ZDP Shares that converted into 2018 ZDP Shares pursuant to the Rollover Offer shall be cancelled and the Company shall issue to each such holder of former 2012 ZDP Shares new certificates in respect of the 2018 ZDP Shares which have arisen upon conversion unless such holder of former 2012 ZDP Shares elects to hold their 2018 ZDP Shares in uncertificated form.

The rights attaching to 2012 ZDP Shares that are not converted into 2018 ZDP Shares pursuant to the Rollover Offer will remain unchanged, with their ZDP Repayment Date being 31 October 2012 and a Final Capital Entitlement of 177.52 pence per share.

Conditions to the Rollover Offer

The Rollover Offer is conditional on:

- valid elections being received in respect of 2018 ZDP Shares with a minimum value, at the 2018 ZDP Share issue price, of £5 million (including any 2018 ZDP Shares issued pursuant to the Placing and allotted at the same time as the 2018 ZDP Shares issued under the Rollover Offer);
- ZDP Cover of all classes of ZDP Share being not less than 1.5x, taking into account the effect of the relevant allotment;
- the Placing Agreement remaining in full force and effect and not having been terminated in accordance with its terms; and
- Admission of the ZDP Shares issued pursuant to the Rollover Offer and, if applicable, the Placing.

In circumstances in which these conditions are not fully met, the Rollover Offer will not take place and no 2012 ZDP Shares will be converted into 2018 ZDP Shares.

Announcement of the Results of the Rollover Offer

The results of the Rollover Offer will be announced via an RNS service of the London Stock Exchange on or around 20 January 2012. This announcement will include the number of 2018 ZDP Shares arising pursuant to the Rollover Offer, the number of 2012 ZDP Shares that have elected to take part and details of any scaling back in relation to elections in excess of the Basic Entitlement or where the Directors have exercised their discretion to scale back elections so as to enable Utilico Finance to satisfy the Listing Rule requirement as to the minimum number of 2018 ZDP Shares which must be held in public hands which is a condition to Admission.

Overseas ZDP Shareholders

In order to avoid any inadvertent breach of overseas securities laws, Overseas ZDP Shareholders shall be deemed to have elected to not participate in the Rollover Offer. Notwithstanding any other provision of this document, the Company reserves the right to permit any Overseas ZDP Shareholders to receive 2018 ZDP Shares under the Rollover Offer if the Directors, in their sole and absolute discretion, are satisfied at any time prior to the Closing Date that the transaction in question is exempt from, or not subject to, the legislation or regulations giving rise to the restrictions in question.

The Placing

The Placing will open on 2 December 2011 and will close on 1 December 2012 (or any earlier date on which it is fully subscribed). The maximum number of 2014 ZDP Shares to be issued pursuant to the Placing is 10,000,000, the maximum number of 2016 ZDP Shares to be issued pursuant to the Placing is 10,000,000 and the maximum number of 2018 ZDP Shares to be issued pursuant to the Placing is 49,842,413, less the number of 2018 ZDP Shares arising pursuant to the Rollover Offer. No ZDP Shares will be issued at a discount to their Accrued Capital Entitlement at the time of the relevant allotment, nor where such issue would reduce ZDP Cover of any class of ZDP Share below 1.5 times. The Directors reserve the right to close the Placing at any time or to extend the closing date of the Placing to no later than 1 December 2012. Notification of any closure or extension will be via an RNS announcement.

The allotment of new 2014 ZDP Shares, 2016 ZDP Shares and 2018 ZDP Shares under the Placing is at the discretion of the Directors. Allotments may take place at any time prior to the final closing date of 1 December 2012. In relation to allotments, an announcement will be released through an RNS service of the London Stock Exchange, including details of the number and class of New ZDP Shares allotted and the Placing Price for the allotment. It is anticipated that dealings in any New ZDP Shares issued pursuant to the Placing will commence three Business Days after their allotment. Whilst it is expected that all New ZDP Shares allotted pursuant to the Placing will be issued as Depositary Interests in uncertificated form, if any New ZDP Shares are issued in certificated form it is expected that share certificates will be despatched within ten Business Days after the relevant allotment date.

The Placing is not being underwritten and, as at the date of this document, the actual number of 2014 ZDP Shares, 2016 ZDP Shares and 2018 ZDP Shares, if any, to be issued under the Placing is not known. The number of New ZDP Shares available under the Placing should not be taken as an indication of the number of ZDP Shares finally to be issued.

So far as the Directors are aware as at the date of this document, no major Shareholders or members of the Company's management, supervisory or administrative bodies intend to make a commitment for New ZDP Shares under the Placing.

The New ZDP Shares issued pursuant to the Placing will rank *pari passu* with the ZDP Shares of the relevant class then in issue and will carry no entitlement to income, therefore the whole of any return will take the form of capital.

The Placing will be suspended at any time when Utilico Finance is unable to issue New ZDP Shares pursuant to the Placing under any statutory provision or other regulation applicable to the Company or Utilico Finance or otherwise at the Directors' discretion.

Conditions to the Placing

Each allotment of 2014 ZDP Shares, 2016 ZDP Shares or 2018 ZDP Shares pursuant to the Placing is conditional on:

- the Placing Price being not less than the Accrued Capital Entitlement of the relevant class of ZDP Share;
- ZDP Cover of all classes of ZDP Share being not less than 1.5, taking into account the effect of the relevant allotment; and
- Admission of the ZDP Shares issued pursuant to such allotment.

In circumstances in which these conditions are not fully met, the relevant issue of New ZDP Shares pursuant to the Placing will not take place.

The Placing Price

The minimum price at which each New ZDP Share will be issued, will be calculated by reference to the Accrued Capital Entitlement of each existing 2014 ZDP Share, 2016 ZDP Share and 2018 ZDP Share, respectively. The maximum price in respect of any allotment of New ZDP Shares will be equal to the best offer price of each existing 2014 ZDP Share, 2016 ZDP Share and 2018 ZDP Share respectively, as quoted on the London Stock Exchange at the time that the proposed allotment is agreed.

For these purposes, the Accrued Capital Entitlement will be calculated in accordance with the Utilico Finance Bye-Laws.

Holders of Ordinary Shares issued by Utilico will not suffer any dilution of their voting rights as a result of the Placing as ZDP Shares do not carry voting rights save in very limited circumstances. Holders of existing 2014 ZDP Shares, existing 2016 ZDP Shares and holders of 2018 ZDP Shares arising pursuant to the Rollover Offer will have their voting rights at class meetings of the relevant class of ZDP Shares diluted when New ZDP Shares are issued pursuant to the Placing. If the maximum number of 2014 ZDP Shares are issued, a holder of 10 per cent. of the existing 2014 ZDP Shares would have their voting rights at 2014 ZDP Share class meetings reduced to 7.9 per cent. If the maximum number of 2016 ZDP Shares are issued, a holder of 10 per cent. of the existing 2016 ZDP Shares would have their voting rights at 2016 ZDP Share class meetings reduced to 7.9 per cent.

Illustrative financial effects of the Proposals

By way of illustration and based upon the Assumptions, had the Rollover Offer and Placing taken place (and been taken up in full) at the date of this document, the Group's Gross Assets would have been increased by the estimated gross proceeds of the Placing of £29.8 million, adjusted for all expenses in relation to the Proposals estimated to be approximately £1.1 million.

By way of illustration and based upon the Assumptions, if the Rollover Offer is taken up in full, the illustrative ZDP Cover following such rollover (and before any New ZDP Shares are issued under the Placing) for the

2012 ZDP Shares, the 2014 ZDP Shares, the 2016 ZDP Shares and the 2018 ZDP Shares would be 9.53x, 4.02x, 2.41x and 1.67x respectively.

By way of illustration and based upon the Assumptions, if, in addition to the Rollover Offer being taken up in full, 10.0 million 2014 ZDP Shares and 10.0 million 2016 ZDP Shares are issued pursuant to the Placing at a price per ZDP Share of 149.5p and 148.5p respectively (being the mid market price of the respective ZDP Shares as at 30 November 2011), the illustrative ZDP Cover for the 2012 ZDP Shares, the 2014 ZDP Shares, the 2016 ZDP Shares and the 2018 ZDP Shares following the Placing would be 10.18x, 3.72x, 2.15x and 1.57x respectively.

This statement is unaudited and is solely for illustrative purposes only, represents a hypothetical situation and, therefore, does not reflect the Group's actual financial position or results.

Costs of the Proposals

The expenses of the Group incurred in connection with the Proposals (and based upon the Assumptions) are estimated to be approximately £1.1 million.

Use of proceeds

The gross proceeds of the Placing will be used by Utilico Finance to fund the Final Capital Entitlement of the 2012 ZDP Shares on maturity (and pending such maturity may be used to reduce Group debt or be invested in listed liquid securities) and any balance will be paid to Utilico for investment to continue to further diversify its portfolio in accordance with its investment policy.

Admission and Dealings

Application will be made for the New ZDP Shares to be admitted to a standard listing on the Official List and to trading on the main market for listed securities of the London Stock Exchange. All allotments of New ZDP Shares will be conditional on Admission. The timing of the applications for Admission and their approval are not known as at the date of this document but no New ZDP Shares will be issued if they will not be so admitted. This document has been published in order to obtain Admission to a standard listing on the Official List of any New ZDP Shares issued pursuant to the Rollover Offer and the Placing. No application will be made for the New ZDP Shares to be listed or dealt in on any stock exchange or investment exchange other than the London Stock Exchange.

The 2018 ZDP Shares to be issued pursuant to the Rollover Offer and the Placing will be issued in registered form and may be held either in certificated form or as Depositary Interests in uncertificated form and settled through CREST.

CREST is a computerised paperless settlements system, which allows securities to be transferred via electronic means, without the need for a written instrument of transfer. Foreign securities cannot be held or traded in the CREST system. To enable investors to settle their New ZDP Shares through CREST, the Depositary will hold the relevant New ZDP Shares and will issue dematerialised Depositary Interests representing the underlying New ZDP Shares to the relevant investors.

The Depositary will hold the New ZDP Shares on trust for the respective underlying ZDP Shareholders. This trust relationship is documented in a deed executed by the Depositary. The Depositary Interests are independent, English securities and are held on a register maintained by the Registrars. The Depositary Interests have the same security code as the ZDP Shares that they represent and do not require a separate admission to the London Stock Exchange.

Shareholders wishing to settle ZDP Shares through CREST can transfer their holding to the Depositary, which will then issue Depositary Interests representing the transferred ZDP Shares. The Depositary Interest holder will not hold a certificate evidencing the underlying ZDP Share. Depositary Interests are issued on a one for one basis against the ZDP Shares that they represent for all purposes. Any payments received by the Depositary will be passed on to each Depositary Interest holder noted on the Depositary Interest register as the beneficial owner of the relevant 2018 ZDP Shares.

Participation in CREST is voluntary and Shareholders who wish to hold ZDP Shares outside of CREST will be entered on the Jersey branch register and issued with a share certificate evidencing ownership.

Application will be made by the Depositary for Depositary Interests representing the New ZDP Shares to be admitted to CREST on Admission.

Investors should be aware that ZDP Shares delivered in certificated form are likely to incur, on an ongoing basis, higher dealing costs than those ZDP Shares held through CREST. Shares initially issued in certificated form may subsequently be exchanged for Depositary Interests, which can be deposited into CREST in accordance with the procedure described above. Certificates in respect of New ZDP Shares issued in certificated form are expected to be despatched on 30 January 2012 or as soon as practicable thereafter.

Temporary documents of title will not be issued pending the delivery of New ZDP Shares to the persons entitled thereto and, during that period, transfers will be certified against the register of the relevant class of ZDP Shareholders.

Directors' opinion

As the Proposals do not require the approval of ZDP Shareholders, the Directors are not required to make a recommendation as to how voting rights should be exercised. The Directors do, however, consider that the Proposals are in the best interests of Utilico Finance and the ZDP Shareholders as a whole.

Yours faithfully

Roger Urwin
Chairman

PART 2

INFORMATION ABOUT THE GROUP

Utilico Finance

Utilico Finance is an exempted, closed-ended investment company incorporated in Bermuda with limited liability. All Utilico Finance's ordinary shares are currently held by Utilico. Utilico Finance was established at the same time as Utilico in order to be the issuer of the ZDP Shares. As at the date of this document, Utilico Finance's only material obligations are in respect of the ZDP Shares and its only asset is the obligation of Utilico to put Utilico Finance in a position to meet its obligations in respect of the ZDP Shares on maturity pursuant to the Subscription Agreement.

Utilico

Utilico is an exempted, closed-ended investment company incorporated in Bermuda with limited liability, and was established as a successor company to Utilico Investment Trust plc. Trading in the Ordinary Shares and Warrants commenced on 20 June 2007.

The Company's current investment objective is to maximise shareholder returns by identifying and investing in investments where the underlying value is not reflected in the market price.

Investment Policy of Utilico

Utilico seeks to invest in undervalued investments and has the flexibility to make investments in a wide range of sectors and markets.

The Company identifies and invests in opportunities where it believes the underlying value is not reflected in the market price. This perceived undervaluation may arise from any number of factors including technological, market motivation, prospective financial engineering opportunities, competition or shareholder apathy.

In the short to medium term it is anticipated that Utilico will continue to have a significant proportion of its Gross Assets invested in developed markets in existing infrastructure, utility and related stocks, including (but not limited to) water and sewerage companies, waste, electricity, gas, telecommunications, ports, airports, service companies, rail, roads, any business with essential service or monopolistic characteristics and in any new utilities which may arise. The Company may also invest this segment of its portfolio in businesses which supply services to or otherwise support the infrastructure, utility and related sectors.

Utilico may invest in other investment companies or vehicles, including any managed by the Manager, where such investment would be complementary to Utilico's investment objective and policy.

The Company has the flexibility to invest in shares, bonds, convertibles and other types of securities, including non-investment grade bonds and to invest in unlisted securities. The Company may also use derivative instruments such as American Depositary Receipts, promissory notes, foreign currency hedges, interest rate hedges, contracts for difference, financial futures, call and put options and warrants and similar instruments for investment purposes and efficient portfolio management, including protecting the Company's portfolio and balance sheet from major corrections and reducing, transferring or eliminating investment risks in its investments.

The Company has the flexibility to invest in markets worldwide although investments in the utilities and infrastructure sectors are principally made in the developed markets of Australasia, Western Europe and North America, as Utilico's exposure to the emerging markets infrastructure and utility sectors is primarily through its holding in Utilico Emerging Markets Limited. Utilico has the flexibility to invest directly in these sectors in emerging markets with the prior agreement of Utilico Emerging Markets Limited.

The Company believes it is appropriate to support investee companies with their capital requirements while at the same time maintaining an active and constructive shareholder approach through encouraging the organisation of capital structure and business efficiencies. The Manager's investment team maintains regular contact with investee companies and Utilico may often be among the largest shareholders. There are no limits on the proportion of an investee company that Utilico may hold and Utilico may take legal or management control of a company from time to time.

The Company aims to maximise value for Shareholders through a relatively concentrated portfolio of investments. There will be no fixed limits on the allocation of investments between sectors and markets, however the following investment limits will apply:

- investments in unlisted companies will in aggregate not exceed 20 per cent. of Gross Assets at the time that any new investment is made. This restriction does not apply to the Company's holding of shares linked to a segregated account of GERP, an unquoted Bermuda segregated accounts company. This account, which is structured as the Bermuda equivalent of a protected cell, exists for the sole purpose of carrying out derivative transactions on behalf of the Company; and
- no single investment will exceed 30 per cent. of Gross Assets at the time such investment is made, save that this limit shall not prevent the exercise of warrants, options or similar convertible instruments acquired prior to the relevant investment reaching the 30 per cent. limit.

Under the Bye-laws, the Group is permitted to borrow an aggregate amount equal to 100 per cent. of Gross Assets (excluding the gearing provided through the Group's capital structure). Borrowings will be drawn down in any currency appropriate for the portfolio.

However, the Board has set a current limit on gearing (being total borrowings excluding ZDP Shares measured against Gross Assets) not exceeding 33.3 per cent. at the time of draw down. Borrowings will be drawn down in sterling, US Dollars or any currency for which there is a corresponding asset within the portfolio (at the time of draw down, the value drawn must not exceed the value of the relevant asset in the portfolio).

As required by the Listing Rules, there will be no material change to the Company's investment policy without prior approval of Shareholders. Any such change would also require the approval of the ZDP Shareholders in accordance with the Subscription Agreement.

Investment Outlook

A number of significant economic challenges in global markets remain unresolved. These include unsustainably high sovereign debt, artificially low interest rates, the prospect of inflation and weakening economic activity. However, Utilico's portfolio looks well positioned to meet these challenges and deliver value for the longer term. The Company will continue to broaden its asset base and take advantage of opportunities to invest in the markets.

Investment Portfolio

Details of the ten largest investments in Utilico's portfolio, its geographical spread and sectoral weighting, all as at 31 October 2011 (being the latest practicable date prior to the publication of this document) and on a look through basis, are set out in Part 3 of this document.

Profile of Typical Investor

An investment in the Ordinary Shares and the ZDP Shares is intended to constitute part of a diversified investment portfolio for institutional or high net worth/sophisticated investors who are seeking exposure to a wide range of sectors and markets through a relatively concentrated portfolio of investments. An investor in the ZDP Shares will be capable of evaluating the risks (including potential capital loss) and merits of such investments. Any investor must be able to accept the possibility of losses and an investment in ZDP Shares is only intended for investors who can afford to set aside the invested capital for a number of years.

Dividend Policy

ZDP Shares are not eligible to receive any dividends.

The Directors anticipate distributing to Utilico Shareholders by way of dividend the majority of the Group's net revenue arising from normal income streams (such as dividends from investments) less costs (such as management fees). Any dividend payments will be made in accordance with Bermuda law.

Borrowings and Borrowing Policy

Under the Bye-laws, the Board is obliged to restrict Utilico's borrowings to an aggregate amount equal to 100 per cent. of the Gross Assets (excluding the gearing provided through the Group's capital structure).

However, the Board has set a current limit on gearing (being total borrowings excluding ZDP Shares measured against Gross Assets) not exceeding 33.3 per cent. at the time of draw down. Borrowings will be drawn down in sterling, US Dollars or any currency for which there is a corresponding asset within the portfolio (at the time of draw down, the value drawn must not exceed the value of the relevant asset in the portfolio).

Leverage on the Ordinary Shares is increased by the Group's use of the ZDP Shares, which do not count towards the borrowing limit in the Bye-laws.

Capital Structure

Introduction

As at 30 November 2011, the issued share capital of Utilico consisted of 99,926,782 Ordinary Shares and 3,587,343 Warrants to subscribe for 1.090909 Ordinary Shares for each Warrant held for a subscription price of 288.75p.

Following the Proposals, Utilico Finance's share capital will consist of ordinary shares held by Utilico and four classes of zero dividend preference shares. The ZDP Shares are designed to provide a predetermined Final Capital Entitlement which ranks behind all other liabilities of the Group and other creditors of the Group, but in priority to Ordinary Shares save in respect of the Utilico Shareholders' entitlement to the Winding-Up Revenue Profits.

Dividends

The ZDP Shares carry no entitlement to income and the whole of any return will therefore take the form of capital.

Capital entitlement

The ZDP Shares do not pay dividends but they will have a Final Capital Entitlement at the end of their respective lives as follows:

- a 2012 ZDP Share will have a Final Capital Entitlement at the end of its life on 31 October 2012 of 177.52p, equating to a 7 per cent. per annum Gross Redemption Yield based on the initial entitlement of a ZDP Share issued by UIT on 7 May 2004 of 100p;
- a 2014 ZDP Share will have a Final Capital Entitlement at the end of its life on 31 October 2014 of 167.60p, equating to a 7.25 per cent. per annum Gross Redemption Yield based on the initial entitlement of a 2014 ZDP Share of 100p on 15 June 2007;
- a 2016 ZDP Share will have a Final Capital Entitlement at the end of its life on 31 October 2016 of 192.78p, equating to a 7.25 per cent. per annum Gross Redemption Yield based on the initial entitlement of a 2016 ZDP Share of 100p on 15 June 2007; and
- a 2018 ZDP Share will have a Final Capital Entitlement at the end of its life on 31 October 2018 of 160.52p, equating to a 7.25 per cent. per annum Gross Redemption Yield based on the initial entitlement of a 2018 ZDP Share of 100p on 26 January 2012.

Utilico will therefore be free to pursue long-term capital appreciation without the constraint of funding an annual dividend payment to the holders of ZDP Shares. Investors should note that the predetermined capital entitlement of the ZDP Shares is not guaranteed and is dependent upon Utilico being able to satisfy its funding obligations under the Subscription Agreement.

By way of illustration:

(i) based on the Assumptions, the Final Capital Entitlement of the 2012 ZDP Shares would have ZDP Cover of approximately 10.18x following completion of the Rollover Offer and Placing. Based on the Assumptions, if Utilico's Gross Assets were to fall by more than 90.2 per cent. during the period from 26 January 2012 (the anticipated date of completion of the Rollover Offer) to the 2012 ZDP Repayment Date, this would result in a Final Capital Entitlement per 2012 ZDP Share of less than the 177.52p entitlement per 2012 ZDP Share due on the 2012 ZDP Repayment Date. A fall in Utilico's Gross Assets of 95.9 per cent. during this period and based on the Assumptions, would result in no payment being made to the 2012 ZDP Shareholders;

(ii) based on the Assumptions, the Final Capital Entitlement of the 2014 ZDP Shares would have ZDP Cover of approximately 3.72x following completion of the Rollover Offer and Placing. Based on the Assumptions, if Utilico's Gross Assets were to fall by more than 73.1 per cent., or by more than 37.8 per cent. per annum, during the period from 26 January 2012 (the anticipated date of completion of the Rollover Offer) to the 2014 ZDP Repayment Date, this would result in a Final Capital Entitlement per 2014 ZDP Share of less than the 167.60p entitlement per 2014 ZDP Share due on the 2014 ZDP Repayment Date. A fall in Utilico's Gross Assets of 87.2 per cent. or by more than 52.5 per cent. per annum during this period and based on the Assumptions, would result in no payment being made to the 2014 ZDP Shareholders;

(iii) based on the Assumptions, the Final Capital Entitlement of the 2016 ZDP Shares would have ZDP Cover of approximately 2.15x following completion of the Rollover Offer and Placing. Based on the Assumptions, if Utilico's Gross Assets were to fall by more than 53.5 per cent., or by more than 14.8 per cent. per annum, during the period from 26 January 2012 (the anticipated date of completion of the Rollover Offer) to the 2016 ZDP Repayment Date, this would result in a Final Capital Entitlement per 2016 ZDP Share of less than the 192.78p entitlement per 2016 ZDP Share due on the 2016 ZDP Repayment Date. A fall in Utilico's Gross Assets of 67.5 per cent. or by more than 21.0 per cent. per annum during this period and based on the Assumptions, would result in no payment being made to the 2016 ZDP Shareholders; and

(iv) based on the Assumptions, the Final Capital Entitlement of the 2018 ZDP Shares would have ZDP Cover of approximately 1.57x following completion of the Rollover Offer and Placing. Based on the Assumptions, if Utilico's Gross Assets were to fall by more than 36.3 per cent., or by more than 6.4 per cent. per annum, during the period from 26 January 2012 (the anticipated date of completion of the Rollover Offer) to the 2018 ZDP Repayment Date, this would result in a Final Capital Entitlement per 2018 ZDP Share of less than the 160.52p entitlement per 2018 ZDP Share due on the 2018 ZDP Repayment Date. A fall in Utilico's Gross Assets of 47.0 per cent. or by more than 9.0 per cent. per annum during this period and based on the Assumptions, would result in no payment being made to the 2018 ZDP Shareholders.

Voting rights

The ZDP Shares do not carry any voting rights at general meetings of Utilico. However, Utilico will not be able to carry out certain corporate actions unless it obtains the sanction of the holders of the ZDP Shares by the passing of an extraordinary resolution at a meeting of the ZDP Shareholders with the ZDP Shares treated as a single class for these purposes. Separate approval of each class of ZDP Shareholders must be obtained in respect of any proposals which would affect their respective rights, including any resolution to wind up Utilico, a resolution to approve the reconstruction of Utilico and a resolution to approve a takeover of Utilico. The approval of ZDP Shareholders by the passing of an extraordinary resolution at separate class meetings is required in relation to any proposal to modify, alter or abrogate the rights attaching to any class of ZDP Shares and in relation to any proposal by Utilico Finance which would reduce the cover of the existing ZDP Shares below 1.5 times.

Liquidation

If any class of ZDP Shares is not redeemed in full on or before their respective repayment dates, under the terms of the Subscription Agreement, the Utilico Directors shall convene a special general meeting at which a liquidation resolution will be put to wind-up Utilico. At any such meeting, Utilico Finance will be entitled to vote on the resolution to wind-up Utilico in respect of its holding of one Ordinary Share. The vote on the liquidation resolution shall be taken by a poll and the number of votes which are cast by Utilico Finance in favour of the resolution to wind-up Utilico shall be equal to four times the aggregate number of votes cast against the resolution, thereby ensuring that Utilico will be placed into voluntary liquidation. On a liquidation of Utilico and/or Utilico Finance, to the extent that the relevant classes of ZDP Shares have not already been redeemed, the shares shall rank in the following order of priority in relation to the repayment of their Accrued Capital Entitlement as at the date of liquidation:

- the 2012 ZDP Shares shall rank in priority to the 2014 ZDP Shares, the 2016 ZDP Shares and the 2018 ZDP Shares;
- the 2014 ZDP Shares shall rank in priority to the 2016 ZDP Shares and the 2018 ZDP Shares; and
- the 2016 ZDP Shares shall rank in priority to the 2018 ZDP Shares.

The entitlement of ZDP Shareholders of a particular class shall be determined in proportion to their holdings of ZDP Shares of that class. Further details of the rights attaching to the ZDP Shares are set out in paragraph 1 of Part 5 of this document.

Repurchases of Ordinary Shares, ZDP Shares and Warrants

At its annual general meeting held on 2 December 2010, Utilico was granted the authority to make market purchases of up to 14.99 per cent. of the Ordinary Shares in issue as at that date. Utilico, as the sole ordinary shareholder of Utilico Finance, granted Utilico Finance authority to repurchase ZDP Shares at Utilico Finance's annual general meeting held on the same date. The Directors will use these authorities with the objective of enhancing shareholder value. Purchases will only be made within guidelines established from time to time by the Board. Resolutions to renew these authorities are being proposed at the respective annual general meetings of Utilico and Utilico Finance to be held on 30 November 2011.

The price paid for each class of share will be within the maximum price permitted by the UK Listing Authority and in accordance with the Bermuda Companies Act and the Bye-laws, and in any event no purchase of Ordinary Shares will be made at a price in excess of the diluted NAV per Ordinary Share (at a date determined by the Directors falling not more than 10 days before the date of purchase). Any Ordinary Shares may only be purchased at a price such that immediately after such purchase the ZDP Cover would be at least 1.5 times. Purchases of ZDP Shares will be made at a price not exceeding their Accrued Capital Entitlement (at a date determined by the Directors falling not more than 10 days before the date of purchase) unless the Directors determine that a purchase at a higher price is in the interests of ZDP Shareholders.

Bermuda companies are permitted to hold shares acquired by way of market purchase in treasury rather than having to cancel them. Such shares may be subsequently cancelled or sold for cash. Accordingly, Utilico and Utilico Finance may hold each class of share purchased pursuant to share buy backs in treasury. This will give Utilico and Utilico Finance the ability to sell shares from treasury quickly and in a cost efficient manner and would provide Utilico and Utilico Finance with additional flexibility in the management of their capital base. The Board has recommended that Ordinary Shares held in treasury would not be re-issued at a price below the prevailing diluted NAV per Ordinary Share and ZDP Shares would not be re-issued at a price below their respective Accrued Capital Entitlement.

Under the terms of the Warrant Instrument Utilico has the ability to buy-back Warrants. Any Warrants bought back by Utilico will be cancelled and shall not be available for re-issue.

It is proposed that any purchases of shares would be funded from Utilico's or Utilico Finance's own cash resources or, if appropriate, from short-term borrowing.

The Board will endeavour to make any purchases of Ordinary Shares and ZDP Shares proportionally in order to maintain the Group's capital structure. However, there may be timing differences in such purchases, or it may prove impracticable or uneconomic to purchase sufficient (or any) shares of the relevant class which may lead to short or longer term imbalances in the Group's capital structure.

Further Issues

Subject to market conditions then prevailing and to all necessary consents and approvals being obtained, the respective Boards of Utilico and Utilico Finance may decide to make one or more further issues of their shares and/or Warrants for cash from time to time.

Utilico's and Utilico Finance's authorised share capital is such that further issues of shares and Warrants can be made. At the 2010 AGM, held on 2 December 2010, pre-emption rights for existing Utilico Shareholders were incorporated into the Bye-Laws. The new pre-emption rights apply on the issue of Ordinary Shares for cash consideration only. There are no pre-emption rights for ZDP Shareholders. A resolution to renew the disapplication of the pre-emption rights in respect of 9,992,645 Ordinary Shares representing 10 per cent. of the Company's issued ordinary share capital is being proposed at Utilico's annual general meeting to be held on 30 November 2011. No Ordinary Shares will be issued at a price less than the Net Asset Value per Utilico Share and no ZDP Shares will be issued at a price which has the effect of reducing the ZDP Cover for any class of ZDP Shares, at or around the time of the issue of such additional ZDP Shares, below 1.5x without the approval of the relevant class of ZDP Shareholders by an extraordinary resolution.

Life of Utilico and Utilico Finance

As Utilico is a long term investment vehicle, it does not have a termination date or any periodic continuation votes.

It will not be necessary to liquidate Utilico Finance in connection with the redemption of the ZDP Shares.

Overseas Investors

The attention of persons resident outside the UK is drawn to paragraphs 7.4(d) and (e) of Part 9 of this document, which contain restrictions on the holding of Ordinary Shares by certain persons.

Taxation

It is the intention of the Directors that Utilico and Utilico Finance will continue to be managed in such a way as to ensure that it is only resident in Bermuda for tax purposes. Potential investors are referred to Part 7 of this document for details of the taxation of Utilico and Utilico Finance and of certain Shareholders and Warrantholders.

Any information given in this document concerning tax is based on current law and regulation (which may change), is given by way of general summary only and does not constitute legal or tax advice to any Shareholder or investor. If investors are in any doubt about the taxation consequences of acquiring, holding or disposing of Shares, they should seek advice from their own professional advisers.

ISAs

Insofar as is possible, the Directors intend to manage the affairs of Utilico Finance so that the New ZDP Shares will be qualifying investments for the purposes of ISAs. Accordingly, the New ZDP Shares will be eligible for inclusion in the stocks and shares components of an ISA, subject to applicable subscription limits, and provided that the ISA manager has been issued the ZDP Shares under the Rollover Offer or acquired them through the secondary market following Admission.

Risk Factors

Utilico's business, and therefore Utilico Finance's ability to fund the redemption amounts for the ZDP Shares, is dependent on many factors and potential investors are advised to read the whole of this document, and in particular the section of this document entitled "Risk Factors" on pages 7 to 15.

Further Information

The attention of investors is drawn to the information contained in Parts 3, 4, 6 and 9 of this document which provide additional information on the Group.

PART 3

THE INVESTMENT PORTFOLIO

1. Utilico's Current Portfolio

1.1 The following table provides unaudited summary details of the ten largest investments in Utilico's portfolio on a look through basis as at 31 October 2011 (being the latest practicable date prior to the publication of this document).

Company	*Market value (£'000)*	*Percentage of total portfolio*
Resolute Mining Limited	132,016	31.5
Trust Power Limited	37,438	8.9
Bermuda Commercial Bank Limited	17,198	4.1
Jersey Electricity plc	17,182	4.1
Vix Technology Pty Ltd	16,687	4.0
Infratil Energy Australia Pty Ltd	12,251	2.9
Renewable Energy Generation Ltd	11,943	2.9
International Container Terminal Services Inc	10,450	2.5
Z Energy Limited	10,192	2.4
Wellington International Airport Ltd	9,702	2.3
	275,059	65.6

Source: Company

1.2 The following table shows the geographical weighting of Utilico's portfolio on a look through basis as at 31 October 2011 (being the latest practicable date prior to the publication of this document):

Geographical area	*Percentage of total portfolio*
Gold Mining*	31.5
New Zealand	15.4
Asia & Far East	13.1
UK & Channel Islands	12.4
Bermuda	7.5
Australia	7.0
Latin America	6.7
Europe (excluding UK)	3.8
North America	2.3
Emerging Markets	0.3
	100.0

**Australian and African activities*

Source: Company

1.3 The following table shows the sectoral distribution of Utilico's portfolio on a look through basis as at 31 October 2011 (being the latest practicable date prior to the publication of this document):

Sector	*Percentage of total portfolio*
Gold Mining	31.5
Renewables	15.7
Electricity	10.6
Infrastructure IT	7.4
Other	6.3
Ports	5.7
Water & Waste	5.4
Airports	5.4
Banking & Finance	4.2
Toll Roads	4.1
Telecoms	3.7
	100.0

Source: Company

1.4 Approximately 72.5 per cent. of Utilico's portfolio is represented by just three investments, Infratil Limited, Utilico Emerging Markets Limited and Resolute. However, two of these investments are themselves collective investment undertakings. Infratil Limited offers targeted exposure to the energy, airport and public transport sectors, predominantly in New Zealand and Australia. Utilico Emerging Markets Limited offers a more diverse exposure to emerging market utilities and transportation infrastructure investments.

1.5 Between 31 October 2011 and 30 November 2011 (the latest practicable date prior to the publication of this document) there have been no material sales or purchases of the investments within Utilico's portfolio.

1.6 **Resolute**

Since more than 20 per cent. of Utilico's Gross Assets are invested in Resolute (and such level was exceeded, *inter alia*, through additional investment in Resolute), further information on Resolute is set out in an Annex at the end of this document in accordance with paragraph 2.2 of Annex XV which forms part of Appendix 3 to the Prospectus Rules.

PART 4

DIRECTORS, MANAGEMENT AND ADMINISTRATION

Directors

The Directors of Utilico and Utilico Finance, all of whom are non-executive for the purposes of the Corporate Governance Code, have overall responsibility for the Group's activities and the implementation of Utilico's investment policy.

The Directors are as follows:

Roger Urwin *(Chairman)*

Dr R Urwin, aged 65 and appointed on 3 May 2007, has many years' experience in the international utility sector, playing a major role in the restructuring and privatisation of the UK electricity industry. He was previously chief executive of National Grid plc, a non-executive director of Utilico Investment Trust plc and a former chairman of Alfred McAlpine plc. He is a director of Canadian Utilities Limited.

John Michael Collier

Mr J M Collier, aged 65 and appointed on 3 May 2007, was educated in Bermuda, the UK and North America. He joined the Bank of Butterfield in Bermuda in 1963 and retired in 1996 as president and chief operating officer. He is currently chairman of the Ascendant Group Limited (formerly Belco Holdings Limited), chairman and managing director of Bermuda Commercial Bank Limited, a director of RESIMAC Limited, Resimac Bermuda Limited and West Hamilton Holdings Limited. He also serves as a director of a number of US and Bermuda incorporated companies.

Peter Burrows

Mr P Burrows, aged 64 and appointed on 16 September 2011 as a director of Utilico and on 2 November 2011 as a director of Utilico Finance, is a Bachelor of Economics and is currently a director of Bell Potter Securities Ltd, based in Australia. Mr Burrows has many years' experience as a stockbroker and founded his own independent specialist private client firm, Burrows Limited, in 1986. Mr Burrows was previously the Chairman of Garratt's Limited, ASC Limited and Rabbit Photo Holdings Ltd and was previously a director of a number of other listed and unlisted companies. Mr Burrows has also been made an officer in the Order of Australia (AO) for his services to medical research, tertiary education and finance.

Susan Hansen

Ms S Hansen, aged 50 and appointed on 3 May 2007, is a chartered accountant and MBA graduate and has worked in financial services since 1980. She has previous experience in chartered accountancy and investment banking, and is a director of RESIMAC Limited, a securitisation company, as well as the principal of a financial training organisation in New Zealand. She is a member of the Institute of Chartered Accountants in Australia.

Eric Stobart

Mr E Stobart, aged 63 and appointed on 3 May 2007, is a chartered accountant and MBA graduate from London Business School. He spent most of his career in merchant and commercial banking, lately as Director of Public Policy and Regulation for Lloyds TSB Group plc (now Lloyds Banking Group plc). He is a non-executive director of Capita Managing Agency Limited, The Throgmorton Trust plc and Falcon Property Trust. He is also a trustee of the Lloyds TSB Group Pension Schemes, chairing its Investment and Funding Committee, Lloyds Your Tomorrow Trustees, Dixons Retail Pension Scheme and Lloyd's Superannuation Fund.

The Directors are independent of the Manager apart from Michael Collier and Susan Hansen. Michael Collier is not considered to be independent of the Manager because he is the chairman of Bermuda Commercial Bank Limited and a director of RESIMAC Limited, both of which are companies controlled by the Manager and its associates. Susan Hansen is not considered to be independent of the Manager because she is also a director of RESIMAC Limited.

The Manager

The investment manager of Utilico and Utilico Finance is ICM, which has been appointed under the Management Agreement to undertake the discretionary management of Utilico's portfolio and to provide various other management services to the Group, subject to the overriding supervision of the Directors.

ICM is an associate of Utilico's previous manager, Ingot Capital Management Pty Ltd and replaced Ingot with effect from July 2010. Ingot had acted as the investment manager of Utilico since its inception in May 2007 as the successor vehicle to UIT and had previously been the investment adviser to UIT and its predecessors.

Further details of the Management Agreement are summarised in paragraph 8.2 of Part 9 of this document.

Investment Philosophy

ICM's investment philosophy is to focus on investments where it believes the underlying value is not reflected in the market price. This philosophy has the following features:

- searching for under-valued companies that are often under-rated and under-researched;
- analysis of opportunities arising through technological development, market changes, competition or shareholder issues;
- using knowledge of and expertise in financial engineering and different financial instruments;
- developing techniques to compare companies across geographical regions and across industries;
- maintaining a strong understanding of the infrastructure and utility sectors and their regulation; and
- possessing a sensitivity to step changes resulting from developments in regulation and competition.

ICM may also use hedging instruments, where appropriate, for investment purposes and to protect Utilico's portfolio from market volatility.

Investment Process

The Manager follows a systematic investment process. It sources and analyses investment opportunities before making investments where it believes they offer good value. The Manager has an established network of industry contacts and investment opportunities are sourced through a combination of sector knowledge and monitoring and a review of markets. The Manager has a good long term record in stock selection across markets (including in the infrastructure and utility sectors) and of financial and investment structuring.

Investment Performance

The net asset value performance of Utilico and, for comparison purposes, the FTSE Utilities Index and the FTSE All-Share Index, to 29 November 2011 is set out in the table below:

	6 months (%)	*1 year (%)*	*3 years (%)*
Utilico total return	23.6	22.2	125.4
FTSE Utilities Index total return	(10.3)	(0.5)	43.4
FTSE All-Share Index total return	2.1	14.5	40.4

Source: Utilico and Datastream

Note: The performance of Utilico includes the cash distribution of 12p per Ordinary Share in April 2010 added back.

The past performance of Utilico is not a guide to future performance. The value and income of the Ordinary Shares and the value of the ZDP Shares can fall as well as rise and an investor may get back less than the amount invested.

Global Equity Risk Protection Limited

The Company holds 3,920 Class A non voting shares in GERP which is a Bermuda company registered as a segregated accounts company. GERP was established to allow the Manager's clients to put in place hedging positions in a way that ensured efficient, fast dealing and satisfied the "best execution" requirements across the various funds. The Company's aggregate investment in GERP may not exceed 30 per cent. of the Gross Assets of the Company at the time of investment.

Each of GERP's segregated accounts (including the Company's) is ring-fenced from the other segregated accounts such that no other segregated account has any claim or exposure to any assets or liabilities of any other segregated account. There is a central GERP corporate administrator which oversees the administration of the various accounts but the corporate administrator does not trade on its own account and all of its expenses are allocated against and funded by each of the segregated accounts. The directors of GERP are Brad Goddard, Duncan Saville and Charles Jillings.

The Company's segregated account in GERP is solely for carrying out derivative transactions at the request of and on behalf of the Company in order that it may make investments more efficiently and for the purposes of efficient portfolio management. GERP spreads its investment risk by having the ability to establish an overall net short position in index options, contracts for difference, swaps and equity options (when taking into account the underlying long position and offsetting the derivative position). In addition to the above overall limit, GERP also has in place the following exposure limits at the time of investment:

- GERP may not hold more than 50 per cent. of the value of the Company's portfolio in GERP in index options; and
- GERP may not hold more than 100 per cent. of the relevant debt or of the relevant market value in foreign currency by way of foreign exchange options or forwards.

The Company regularly reviews the investments in GERP from a risk management perspective.

The Manager monitors and manages GERP's operational and anticipated portfolio risks and considers on an on-going basis the aggregate investment of the Company in GERP for the purpose of ensuring that risk levels are appropriate and the guidelines set by the Board are adhered to.

The Company has entered into a loan agreement with GERP in order to fund the Company's segregated account in GERP. Under the loan agreement GERP may draw down funds from the Company to meet any costs and liabilities arising from the assets held in the Company's segregated account. As at 30 November 2011, being the latest practicable date prior to publication of this document, the Company's segregated account in GERP had net assets of approximately £2.3 million.

Co-investment

Opportunities may arise for Utilico to co-invest alongside companies associated with, or managed by, ICM (or its associates). Utilico (and other clients of ICM) will be given the opportunity to invest in opportunities falling within its (or their) investment policy, *pro rata* to their assets available for investment in priority to ICM (and its associates). Utilico will, subject to the approval of the Directors, be free to co-invest when it is felt to be in the interests of Shareholders and would intend to do so. The ability to co-invest may be beneficial as it may enable Utilico to benefit from more advantageous terms than would be available for a smaller investment made by Utilico alone. The terms on which Utilico co-invests will be no less favourable than the terms on which any company associated with, or managed by, ICM (or its associates) invests.

Relationship with Utilico Emerging Markets Limited

Whilst Utilico and Utilico Emerging Markets Limited are two separate entities, each with their own board of directors and shareholders, they currently have overlapping investment policies and similar portfolio methodologies. Additionally, Utilico and Utilico Emerging Markets Limited each employ the same individuals to conduct their investment research. The services provided by these employees relate to analysis of potential investments, the provision of information to the Manager and the placing and execution of trades once authorised by the Manager.

Investment Allocation

As ICM and its associates provide investment advice to both Utilico and Utilico Emerging Markets Limited (among other clients) an investment allocation policy has been put in place between Utilico and Utilico

Emerging Markets Limited, which is intended to provide transparency for shareholders in each company. The investment allocation policy is as follows:

- all investments in the infrastructure and utility sectors and related companies in Emerging Markets will first be offered in full to Utilico Emerging Markets Limited;
- if Utilico Emerging Markets Limited is technically able to make the investment, but ICM believes it is inappropriate for it to do so, either in part or in full, (for example, this may be due to sector or geographical weighting issues or lack of funds) then the matter will be referred to the Chairman of Utilico Emerging Markets Limited;
- if the Chairman agrees with ICM's decision, then Utilico will be free to make the investment (to the extent that the opportunity remains) if it wishes to do so;
- if Utilico Emerging Markets Limited is incapable of making any part of the investment, then Utilico will be free to take up the balance of the investment if it wishes to do so; and
- in circumstances where both Utilico Emerging Markets Limited and Utilico invest in the same securities at the same time, they will invest on substantially the same terms.

Utilico Emerging Markets Limited's investment objective is to invest predominantly in Emerging Markets. However, it has the flexibility to make investments in infrastructure, utilities and related companies outside Emerging Markets, including making investments in developed markets. Where ICM identifies an investment in infrastructure, utilities and related companies in a developed market which it believes would be suitable for Utilico Emerging Markets Limited's portfolio and is in accordance with its investment policy, a similar allocation policy to that set out above will be adopted, but with Utilico being offered the relevant investment opportunity in the first instance. In the event that Utilico is unable or does not wish to take up the relevant investment opportunity in full, then Utilico Emerging Markets Limited will be free to make that investment (to the extent that the opportunity remains).

Potential Conflicts Of Interest

The Manager and/or Duncan Saville, a director of the Manager, may be involved in other financial, investment or professional activities that may on occasion give rise to conflicts of interest with Utilico and/or Utilico Finance. In particular, the Manager currently does, and expects to continue to, provide investment management, investment advice or other services in relation to other companies, funds or accounts that may have similar investment objectives and/or policies to that of Utilico and Utilico Finance and may receive *ad valorem* and/or performance-related fees for doing so.

As a result, the Manager may have conflicts of interest in allocating investments among Utilico and/or Utilico Finance and its other clients and in effecting transactions between Utilico and/or Utilico Finance and its other clients. The Manager may give advice or take action with respect to its other clients that differs from the advice given or actions taken with respect to Utilico and/or Utilico Finance.

Should potential conflicts of interest arise, the Manager will have regard to its obligations under the Management Agreement or otherwise to act in the interests of the Group, so far as practicable having regard to its obligations to other clients or funds. In particular, the Management Agreement imposes obligations on the Manager so that it may only effect a transaction on behalf of the Group, or provide advice in relation to a transaction in which the Manager or any associate has directly or indirectly a material interest, which may involve a conflict with the Manager's duty to the Group provided that the nature of such conflict has been disclosed in advance to the Board and the Board agrees that such transaction can proceed. Subject to this, the Manager may effect a transaction on behalf of Utilico or Utilico Finance, or provide advice in relation to a transaction in which either the Manager or any associate acts as principal or as agent for the counterparty, provided that the Manager's or any associate's interest in the transaction has been disclosed in advance to the Board and the Board agrees that such transaction can proceed.

Management and Performance Fees

Management Fee

The Manager receives a management fee equal to 0.5 per cent. per annum of the Gross Assets, payable by Utilico semi-annually in arrears pursuant to the Management Agreement. The Manager is also reimbursed its reasonable out of pocket expenses.

Performance Fee

Utilico will pay to the Manager a performance fee determined as at each Calculation Date (as defined below) as follows:

PF = (A-B) x 15 per cent.

where:

PF is the performance fee (excluding VAT), if any, payable to ICM;

A is the Adjusted Equity Funds as at that Calculation Date;

B is the "Base Equity Funds" being the higher of:

(i) the Equity Funds of Utilico on the last day of the calculation period in respect of which a performance fee was last paid, being 30 June 2007, under the management agreement (**Opening Equity Funds**);

(ii) the Equity Funds on the last day of a Calculation Period in respect of which a performance fee was last paid under the Management Agreement (**High Water Mark**); and

(iii) the Equity Funds on the last day of the previous Calculation Period, increased by the Real Percentage Yield on the Reference Index during that Calculation Period (**Previous Equity Funds**).

B (i) above, Opening Equity Funds, will be adjusted as appropriate for any Capital Events.

B (ii) above, High Water Mark, will be adjusted as appropriate for any Capital Events occurring since the establishment of the High Water Mark.

B (iii) above, Previous Equity Funds, will be adjusted as appropriate for any Capital Events occurring since the previous Calculation Date. The value of those Capital Events will be added to (in respect of a capital increase) or deducted from (in respect of a capital reduction) the Previous Equity Funds, such adjustments being increased by the Real Percentage Yield on the Reference Index for the period between the date of the relevant Capital Event and the end of the Calculation Period.

The latest Calculation Period for the performance fee was the period from 1 July 2010 to 30 June 2011. No performance fee was paid in respect of this period.

The performance fee will be payable within 14 days of the publication of Utilico's annual report and accounts for the relevant Calculation Period, or within 30 days of the termination of ICM's appointment or the commencement of the winding up of Utilico where (ii) or (iii) in the definition of Calculation Period applies.

For the purpose of this calculation:

Adjusted Equity Funds means Equity Funds adjusted by adding back any dividends paid or accrued relating to that Calculation Period, plus any accrual for unpaid performance fee arising for that Calculation Period;

Calculation Date means the last day of each Calculation Period;

Calculation Period means each successive period starting on the first day of an accounting reference period of Utilico and ending on the earlier of (i) the last day of that accounting reference period (ii) the termination of ICM's appointment for any reason and (iii) the commencement of the winding up of Utilico, provided that in respect of the first Calculation Period under the Management Agreement such period shall be deemed to have commenced on 1 July 2010;

Capital Event means any repayment or otherwise that reduces funds attributable to Shareholders, or any issuance of equity or otherwise which has the effect of increasing funds attributable to Shareholders (including by means of further issues of ZDP Shares, the proceeds of which shall be advanced by Utilico Finance to Utilico);

Company's Shares means ordinary shares of 10p each in the capital of Utilico;

Equity Funds means the Net Asset Value (including revenue items) attributable to the Ordinary Shares;

Inflation means the rate of UK inflation in annual percentage terms calculated by reference to the year on year change in the UK all items Retail Prices Index excluding mortgage interest payments as issued by the Office of National Statistics calculated as a monthly average;

Management Agreement means the investment management agreement dated 27 September 2010 made between Utilico and ICM;

Real Percentage Yield means the average percentage income yield on the Reference Index for the relevant Calculation Period, calculated on a monthly basis, reduced by the percentage rate of UK corporation tax, plus Inflation; and

Reference Index means the FTSE Actuaries Govt. Securities UK Gilts 5 to 10 Years Index.

A summary of the main provisions of the Management Agreement is set out in paragraph 8.2 of Part 9 of this document.

Administration and Secretarial Services

F&C Management Limited has been appointed as administrator and secretary to Utilico and Utilico Finance. The Administrator's appointment is terminable, *inter alia*, upon six months' notice in writing by either party.

Under the terms of the Administration Agreement, the Administrator and Secretary is entitled to a fee of £295,000 per annum. A summary of the main provisions of the Administration Agreement is set out in paragraph 8.3 of Part 9 of this document.

Custody

JPMorgan Chase Bank N.A. ("JPMorgan") acts as custodian to the Group's assets and, in that capacity, is responsible for ensuring safe custody and dealing with settlement arrangements. JPMorgan's appointment as custodian is terminable, *inter alia*, upon 60 days' notice given by either party.

JPMorgan acts through its UK branch, which was registered in England and Wales on 28 June 1993 with registered branch number BR000746. The principal place of business of JPMorgan is 125 London Wall, London EC2Y 5AJ and a representative of JPMorgan can be contacted on telephone number +44 (0) 20 7777 2000. JPMorgan's business in the UK is authorised and regulated by the FSA.

JPMorgan shall receive from Utilico for the provision of such services such fees as may be agreed in writing between JPMorgan and Utilico, together with JPMorgan's reasonable out-of-pocket or incidental expenses.

A summary of the main provisions of the Custody Agreement is set out in paragraph 8.4 of Part 9 of this document.

The Company has also appointed Bermuda Commercial Bank Limited ("BCB") to act as its custodian in respect of such cash and investments as Utilico shall from time to time deposit with it. BCB was incorporated in Bermuda with limited liability on 15 April 1969 under the Bermuda Companies Act with registered number 1404. BCB operates under the Bermuda Companies Act and is licensed and regulated by the Bermuda Monetary Authority. Its registered office and principal place of business is 19 Par-la-Ville Road, PO Box HM1748, Hamilton HM GX, Bermuda (telephone number 001 441 295 5678).

A summary of the main provisions of the BCB Custody Agreement is set out in paragraph 8.11 of Part 9 of this document.

Registration Services

Computershare Investor Services (Jersey) Limited ("Computershare") has been appointed as branch registrar to maintain in Jersey a branch copy of the register of Shareholders and Warrantholders. Each of Utilico and Utilico Finance has entered into a Registrar Agreement with Computershare which may be terminated, *inter alia*, on 6 months' notice by either party. In return for providing such services Computershare is entitled to an annual fee plus reimbursement of certain expenses incurred by Computershare in connection with its duties from each of Utilico and Utilico Finance.

Depositary and Custody services

Computershare Investor Services PLC has been appointed as Depositary for the settlement of Depositary Interests. Each of Utilico and Utilico Finance has entered into a Depositary and Custody Services Agreement with Computershare Investor Services PLC, which may be terminated, *inter alia*, on 6 months' notice by either party.

Financial Reporting and Information

Net Asset Value

The Net Asset Value and the Net Asset Value per Ordinary Share are calculated (and rounded to two decimal places), in sterling pence per Ordinary Share by the Administrator (or such other person as the Directors may appoint for such purpose from time to time) on a weekly basis. The Net Asset Value per Ordinary Share is announced through the London Stock Exchange without delay once calculated.

The Net Asset Value is calculated as the Gross Assets less the liabilities to creditors (including the provisions for such liabilities) of Utilico determined in accordance with the valuation guidelines adopted by the Directors from time to time.

In calculating the Net Asset Value, a liability will be included equating to the amount due to ZDP Shareholders at the calculation date each week. The amount due to ZDP Shareholders is accounted for at amortised cost, using the effective interest method. Announcements as to the Net Asset Value per Ordinary Share will include the Accrued Capital Entitlements of the ZDP Shares, including the New ZDP Shares to be issued pursuant to the Rollover Offer and the Placing.

Under current valuation guidelines adopted by the Directors, such values will be determined as follows:

- the value of any cash in hand or on deposit, bills and demand notes and accounts receivable, cash dividends and interest declared or accrued as aforesaid and not yet received shall be deemed to be the full amount thereof, unless in any case the Directors will have determined that the same is unlikely to be paid or received in full, in which case the value thereof will be arrived at after making such discount as the Directors may consider appropriate in such case to reflect the true value thereof;
- securities which are quoted or dealt in on any stock exchange (including any securities traded on an "over the counter market") will be valued in accordance with generally accepted International Financial Reporting Standards;
- unquoted securities will be valued at their fair value in accordance with International Accounting Standards;
- all other assets (including prepayments) and liabilities to creditors (excluding amounts due to ZDP Shareholders) will be valued at their respective fair values as determined in good faith by the Directors and in accordance with generally accepted valuation principles and procedures; and
- any value other than in pounds sterling will be translated at any officially set exchange rate or appropriate spot market rate as the Directors deem appropriate in the circumstances having regard, *inter alia*, to any premium or discount which may be relevant and to costs of exchange.

If the Directors consider that any of the above bases of valuation are inappropriate in any particular case or generally, they may adopt such other valuation procedures as they consider is reasonable in the circumstances having taken advice from Utilico's auditors. The Directors may delegate to the Manager any of their discretions under the valuation guidelines.

The preparation of valuations may be suspended in circumstances where the underlying data necessary to value Utilico's investments cannot readily, or without undue expenditure, be obtained. Such suspension will be communicated to investors via a Regulatory Information Service.

Accounting Policies

The audited accounts of the Group are prepared in sterling under International Financial Reporting Standards. Under International Financial Reporting Standards, the Group prepares a statement of comprehensive income and a statement of changes in equity, which discloses revenue and capital results, including net investment gains.

Management fees, borrowing costs and running expenses of the Group are charged to revenue with the exception of the performance fee which is allocated between capital and revenue and other expenses of a capital nature which will be charged to the capital account. That part of the performance fee directly attributable to the capital performance of Utilico's investments is allocated to capital, and that part directly attributable to revenue performance will be allocated to revenue.

Reports and Accounts

The annual accounts of the Group are made up to 30 June in each year, with copies of the annual report and accounts ordinarily sent to Shareholders and Warrantholders in September. Annual general meetings of Utilico and Utilico Finance are typically held in November or December of each year. Shareholders and Warrantholders also receive an unaudited consolidated interim report covering the first six months of each financial year to 31 December. The interim report is ordinarily released to Shareholders and Warrantholders in February of each year.

Meetings

It is intended that all general meetings of Utilico and Utilico Finance will be held outside the United Kingdom. Utilico and Utilico Finance each hold an annual general meeting every year. Utilico Shareholders are entitled to attend and vote at all Utilico general meetings. ZDP Shares do not carry any voting rights at general meetings of Utilico, although the consent of ZDP Shareholders is required for certain proposals. Any such consent will be obtained through class meetings of ZDP Shareholders.

Corporate Governance

Utilico Finance

The share capital of Utilico Finance has a standard listing on the Official List and therefore under the Listing Rules Utilico Finance will not be required to comply or provide an explanation for any non-compliance with the UK Corporate Governance Code, and as at the date of this document does not so comply. Bermuda does not have its own corporate governance code with which Utilico Finance is required to comply.

Utilico

Whilst Bermuda does not have its own corporate governance code, as Utilico has a premium listing on the Official List, it is, however, required to comply or explain against compliance with the UK Corporate Governance Code issued by the Financial Reporting Council (the **Corporate Governance Code**), available at website www.frc.org.uk, in respect of its accounting periods from 1 July 2010 onwards. It is Utilico's policy to comply with best practice on good corporate governance and maintain the same level of governance as UK listed investment companies. The Board has considered the principles set out in the Corporate Governance Code and the AIC Code of Corporate Governance (the **AIC Code**).

Except as disclosed below, Utilico complied throughout its last financial year ended 30 June 2011 with the recommendations of the AIC Code and the relevant provisions of the Corporate Governance Code.

All of the Directors were appointed on 3 May 2007, with the exception of Peter Burrows, who was appointed as a director of Utilico on 16 September 2011. In view of the requirement of the Bye-Laws that all Directors retire by rotation, the Board considers that it is not appropriate for the Directors to be appointed for a specified term, as recommended by provision B.2.3 of the Corporate Governance Code and principle 3 of the AIC Code, nor for a Senior Independent Director to be appointed, as recommended by provision A4.1 of the Corporate Governance Code and principle 1 of the AIC Code. The detailed Directors' remuneration disclosure requirements set out in Corporate Governance Code Provisions D.1 and D.2.1 are not relevant.

Dr R Urwin is Chairman of the Board. All of the Directors are considered to be independent from the Manager other than Michael Collier and Susan Hansen.

The Board, with only five Directors, operates without a Nomination Committee. The Directors recognise the value of progressive refreshing of, and succession planning for, company boards. The Directors regularly review the structure of the Board, including the balance of expertise and skills brought by individual Directors. The Board is of the view that length of service does not necessarily compromise the independence or contribution of Directors of an investment company, where continuity and experience can add significantly to the strength of the Board. This is supported by the views on independence expressed in the AIC Code. However, the Board has put a policy into place where Directors who have served for nine years or more will be subject to annual re-election.

Whilst none of the Directors has a service contract with Utilico or Utilico Finance (and nor are any such contracts proposed), each of the Directors has signed a letter of appointment to formalise in writing the terms of their appointment. Under the Bye-laws of both Utilico and Utilico Finance, one third of their respective Boards is subject to retirement by rotation each year. In addition, all Directors are required to submit themselves for re-election at least every three years.

The Board of Utilico has constituted the following committees:

Audit Committee

The Board has appointed an Audit Committee. The Audit Committee, which is chaired by Mr E Stobart, operates within written terms of reference clearly setting out its authority and duties. Copies of the terms of reference are available on the Group's website at www.utilico.bm. The Audit Committee is comprised of the independent Directors and meets at least twice a year. It is considered that there is a range of recent and relevant financial experience amongst the members of the Audit Committee.

The primary role of the Audit Committee is to review the Group's accounting policies, the contents of the accounts, the adequacy and scope of the external audit and compliance with regulatory and financial reporting requirements. In addition, it also reviews the provision of non-audit services by the external auditors, the risks to which the Group is exposed and the controls in place to mitigate those risks.

A "whistle blowing" policy has been put into place for employees of Utilico under which they may, in confidence, raise concerns about any possible improprieties in matters of financial reporting or other matters insofar as they may affect the Group. This policy will be reviewed from time to time by the Audit Committee. The Audit Committee will also review the "whistle blowing" policy that has been put into place by F&C Management Limited as administrator of Utilico and Utilico Finance for use by its staff.

The Audit Committee has access to the internal audit director of the Administrator and to the Administrator's group audit committee, and reports its findings to the Board.

The Board retains ultimate responsibility for all aspects relating to the annual and interim accounts and other significant published financial information.

Management Engagement Committee

The Board has appointed a Management Engagement Committee, chaired by Mr E Stobart, which operates within written terms of reference clearly setting out its authority and duties. Copies of the terms of reference are available on the Group's website at www.utilico.bm.

The Management Engagement Committee is comprised of the independent Directors and meets at least once a year. The Management Engagement Committee annually reviews the performance of, and fee paid to, the Manager for the services provided under the Management Agreement, together with the fee and other terms of that agreement.

PART 5

THE ZDP SHARES

1. Rights attaching to the ZDP Shares

The ZDP Shares, including the 2018 ZDP Shares arising pursuant to the Rollover Offer, each have the same rights as each other, save in respect of their ZDP Repayment Dates and their Final Capital Entitlements, which differ for each class of ZDP Share. The rights of the ZDP Shares are set out in the New Utilico Finance Bye-Laws, which contain provisions, *inter alia*, to the following effect:

1.1 ***Income***

(a) The ordinary shares of 10p each in the capital of Utilico Finance carry the right to receive the revenue profits of Utilico Finance available for distribution (excluding any sums paid to Utilico Finance by Utilico under the Subscription Agreement) and determined to be distributed by way of dividend at such times as the Utilico Finance Directors may determine.

(b) The ZDP Shares carry no rights to receive dividends out of the revenue or any other profits of the Group.

1.2 ***Capital***

(a) On a return of assets, on a liquidation or otherwise, the surplus assets of Utilico Finance after payment of all debts and satisfaction of all liabilities (excluding, for this purpose only, the payment of the capital entitlement of each class of Utilico Finance ZDP Share), shall be applied as follows:

(i) first, there shall be paid to the holders of 2012 ZDP Shares *pro rata* to the number of 2012 ZDP Shares held by them, the Accrued Capital Entitlement per 2012 ZDP Share;

(ii) secondly, there shall be paid to the holders of 2014 ZDP Shares *pro rata* to the number of 2014 ZDP Shares held by them, the Accrued Capital Entitlement per 2014 ZDP Share;

(iii) thirdly, there shall be paid to the holders of 2016 ZDP Shares *pro rata* to the number of 2016 ZDP Shares held by them, the Accrued Capital Entitlement per 2016 ZDP Share;

(iv) fourthly, there shall be paid to the holders of 2018 ZDP Shares *pro rata* to the number of 2018 ZDP Shares held by them, the Accrued Capital Entitlement per 2018 ZDP Share; and

(v) fifthly, there shall be paid to the holders of the Utilico Finance ordinary shares any surplus assets available for distribution *pro rata* to the number of Utilico Finance ordinary shares held by them.

(b) The ZDP Shares will not pay dividends but they will have a Final Capital Entitlement at the end of their respective lives as follows:

(i) the 2012 ZDP Shares will have a Final Capital Entitlement at the end of their life on 31 October 2012 of 177.52p;

(ii) the 2014 ZDP Shares will have a Final Capital Entitlement at the end of their life on 31 October 2014 of 167.60p;

(iii) the 2016 ZDP Shares will have a Final Capital Entitlement at the end of their life on 31 October 2016 of 192.78p; and

(iv) the 2018 ZDP Shares will have a Final Capital Entitlement at the end of their life on 31 October 2018 of 160.52p.

(c) On a liquidation of Utilico and/or Utilico Finance, to the extent that the relevant classes of ZDP Shares have not already been redeemed, the shares shall rank in the following order of priority in relation to the repayment of their Accrued Capital Entitlement as at the date of liquidation:

(i) the 2012 ZDP Shares shall rank in priority to the 2014 ZDP Shares, the 2016 ZDP Shares and the 2018 ZDP Shares;

(ii) the 2014 ZDP Shares shall rank in priority to the 2016 ZDP Shares and the 2018 ZDP Shares; and

(iii) the 2016 ZDP Shares shall rank in priority to the 2018 ZDP Shares.

The entitlement of ZDP Shareholders of a particular class shall be determined in proportion to their holdings of ZDP Shares of that class.

1.3 ***Voting***

(a) The holders of the ordinary shares of 10p each in the capital of Utilico Finance shall have the right to receive notice of and to attend and vote at general meetings of Utilico Finance. Each holder of a Utilico Finance ordinary share being present at a meeting shall upon a show of hands have one vote and (subject as referred to in paragraph (e) below) upon a poll every such holder present in person or by proxy shall have one vote in respect of every Utilico Finance ordinary share held by him.

(b) The holders of the ZDP Shares shall have the right to receive notice of, but shall not have the right as such to attend or vote at, any general meeting of Utilico Finance except (save as provided in paragraph (h) below):

(i) upon any resolution to alter, modify or abrogate the special rights or privileges attached to the ZDP Shares; or

(ii) upon a Liquidation Resolution, Recommended Resolution and Reconstruction Resolution (as respectively defined in paragraphs (e), (f) and (g) below).

For the avoidance of doubt, the passing of a Liquidation Resolution, a Recommended Resolution or a Reconstruction Resolution or a resolution to increase the authorised share capital of Utilico Finance shall not be treated as an alteration, modification or abrogation of the rights attached to the ZDP Shares.

(c) Save as described in paragraphs (f) and (g) below, Utilico Finance may not, without the previous sanction of an extraordinary resolution passed at a separate general meeting of each class of ZDP Shareholders convened and held in accordance with the provision of the New Utilico Finance Bye-laws:

(i) subject to sub-paragraph (d) below, issue, and it shall, so far as it is able, procure that Utilico shall not, issue any further shares or rights to subscribe for further shares or convert any securities into shares in any member of the Group or reclassify any issued share capital into shares of a particular class where such shares rank, or would on issue, conversion or reclassification rank, as to capital, in priority to, or *pari passu* with, Utilico's payment obligations under the Subscription Agreement in respect of any class of ZDP Shares;

(ii) pass a resolution for the voluntary winding up of Utilico Finance, such winding up to take effect prior to the final ZDP Repayment Date (or, if that day is not a business day, the immediately preceding business day);

(iii) pass a resolution to reduce the capital of Utilico Finance in any manner or to purchase shares in Utilico Finance other than as permitted below;

(iv) pass a resolution amending the provisions of the New Utilico Finance Bye-laws summarised in this paragraph 1.3(c);

(v) pass a resolution authorising the Utilico Finance Directors to pay a dividend or other distribution out of the capital reserves of Utilico Finance; or

(vi) make any material variation to the terms of the Subscription Agreement or any further subscription agreement entered into between Utilico and Utilico Finance in respect of any further issues of ZDP Shares which, at the time of being made, could reasonably be considered to be materially prejudicial to the interests of the existing Utilico Finance ZDP Shareholders,

provided that no such sanction will be required for the passing of any resolution authorising Utilico Finance to purchase any ZDP Shares where such shares may only be purchased at prices at or below their prevailing Accrued Capital Entitlement (as determined by the Utilico Finance Directors in accordance with the Utilico Finance Bye-laws as at a date falling not more than 10 days before the date of the relevant repurchase) or at a higher price per ZDP Share if the Utilico Finance Directors determine this to be in the interests of ZDP Shareholders, or for any purchase of such ZDP Shares in accordance with any such resolution.

(d) Notwithstanding the restrictions described in paragraph (c)(i) above, any member of the Group may, subject as provided in the relevant company's bye-laws, issue any further shares or rights to subscribe for further shares or convert any securities into shares or reclassify any issued share capital into shares of a particular class where such shares rank, or would on issue, conversion or reclassification rank, as to capital, in priority to, or *pari passu* with, Utilico's payment obligations under the Subscription Agreement in respect of any class of ZDP Shares provided that the Directors shall have calculated and Utilico's and Utilico Finance's financial adviser shall have reported to the Directors on such calculations within 60 days prior to the Calculation Date (as defined below) that, were the further shares to be issued or the shares to be reclassified or rights of subscription or conversion to be issued and immediately exercised at the date of the report, the ZDP Shares in issue immediately thereafter would have a ZDP Cover of not less than 1.5 times. For this purpose, the ZDP Cover shall represent a fraction where the numerator is equal to the gross assets of the Group on the Calculation Date and the denominator is equal to the aggregate on the Calculation Date of (i) the aggregate capital entitlement on the relevant ZDP Repayment Dates of the ZDP Shares in issue on the Calculation Date and (ii) the outstanding amounts payable by the Group under bank facilities and any borrowings ranking in priority to Utilico's payment obligations under the Subscription Agreement.

Gross assets for this purpose shall mean the unaudited aggregate value of the gross assets of the Group, including assets represented by principal monies borrowed by any member of the Group, less current liabilities (not including contingent liabilities) of the Group (other than principal monies borrowed), each as determined by the Utilico Directors. The Calculation Date, for the purpose of this paragraph (d) shall mean the close of business on a date which is not earlier than 60 days prior to (and excluding) the date of the announcement of such issue or reclassification or, if applicable and earlier, the date of any announcement of the intention to make such proposed issue.

In calculating such ZDP Cover, the Directors shall where available:

(i) use the gross assets of the Group at the most recent practicable date before the Calculation Date;

(ii) assume that the share capital or rights proposed to be issued or arising on reclassification had been issued and/or exercised and/or reclassified at the end of the month prior to the Calculation Date;

(iii) adjust the gross assets of the Group by adding the minimum net consideration (if any) which would be received upon such issue, reclassification or exercise;

(iv) take account of the entitlements to be attached to the new shares or securities or rights to be issued;

(v) aggregate the Final Capital Entitlement of all the existing ZDP Shares and the capital entitlements of the new shares or securities or rights to be issued as aforesaid in each case as at the relevant ZDP Repayment Date;

(vi) make appropriate adjustments for any other issues or reclassifications or purchases of own share capital which have been made by Utilico or Utilico Finance since the end of the preceding month or will have been made by or at the time of the proposed issue of shares or rights of subscription or conversion into shares or reclassification;

(vii) make such other adjustments as they consider appropriate; and

(viii) the Directors shall have absolute discretion to determine whether the conditions set out above are satisfied in any case and no independent valuation need be carried out.

(e) If all of the relevant ZDP Shares are not redeemed on or before the relevant ZDP Repayment Date (except by reason of administrative error rectified within 7 days and disregarding any ZDP Shares which are not redeemed as a result of a failure by the holder to comply with a requirement relating to redemption imposed in accordance with the Utilico Finance Bye-laws), the Utilico Finance Directors shall (i) exercise the right of Utilico Finance under the Subscription Agreement to convene a special general meeting of Utilico at which a resolution shall be proposed requiring that Utilico shall be wound up voluntarily pursuant to the Bermuda Companies Act and (ii) convene a special general meeting of Utilico Finance to be held on the same date as the special general meeting to be convened by Utilico in accordance with Subscription Agreement at which a resolution (the **Liquidation Resolution**) shall be proposed requiring that Utilico Finance be wound up voluntarily pursuant to the Bermuda Companies Act. At such meeting the vote of those members entitled to vote shall be taken by poll and those holders of ZDP Shares who (being individuals) are present in person or by proxy or (being corporations) are present by proxy or by duly authorised representative and entitled to vote and who vote in favour of the Liquidation Resolution shall, on a poll, have such number of votes in respect of each share held by them (including fractions of a vote) so that the aggregate number of votes cast in favour of the Liquidation Resolution is four times the aggregate number of votes cast against the Liquidation Resolution and each member present in person or by proxy and entitled to vote and who votes against such resolution shall on a poll have one vote for each share held.

(f) If an offer is made to all holders of ZDP Shares (other than the offeror and/or persons controlled by or acting in concert with the offeror) which becomes or is declared unconditional in all respects prior to the final ZDP Repayment Date, which offer entitles holders of ZDP Shares to receive not later than the date falling 14 days after the relevant ZDP Repayment Date an amount in cash equal to or not less than that to which the Utilico Finance Directors estimate (so far as practicable at that time) that such holders would otherwise have been entitled to receive on a winding-up of Utilico Finance and on the basis that Utilico satisfies its payment obligations under the Subscription Agreement to the extent that it is able after payment of all other prior ranking indebtedness and liabilities, (ignoring any option for alternative consideration pursuant to such offer) and such offer is recommended by the Utilico Finance Directors and it is stated to be, in the opinion of the financial adviser appointed by Utilico and Utilico Finance, fair and reasonable then the provisions described in paragraph (e) above shall not apply and at any special general meeting of Utilico Finance or separate general meeting of the holders of the ZDP Shares held between the date of making such recommendation and the relevant ZDP Repayment Date (both dates inclusive) the provisions relating to voting in sub-paragraph (h) below shall apply to any resolution or resolutions recommended by the Directors (a **Recommended Resolution**) and stated to be, in the opinion of the financial adviser appointed by the Directors, fair and reasonable.

(g) If at any special general meeting of Utilico Finance held on or prior to any ZDP Repayment Date there is proposed any resolution (a **Reconstruction Resolution**) to sanction any form of arrangement (whether involving the winding up of Utilico Finance, the redemption of the ZDP Shares or otherwise) which would enable the holders of the ZDP Shares to receive not later than the date falling 14 days after the relevant ZDP Repayment Date an amount in cash equal to or not less than that to which the Utilico Finance Directors estimate (so far as practicable at that time) that such holders would otherwise have been entitled to receive on a winding-up of Utilico Finance and on the basis that Utilico satisfies its payment obligations under the Subscription Agreement to the extent that it is able after payment of all other prior ranking indebtedness and liabilities, (ignoring any options ZDP Shareholders may be given to elect to receive any entitlement otherwise than in cash pursuant to the arrangement) then the provisions described in sub-paragraph (e) above shall not apply and the provisions relating to voting described in sub-paragraph (h) below shall apply in respect of any Reconstruction Resolution.

(h) Where any resolution or resolutions are proposed pursuant to the provisions of the Utilico Finance Bye-laws referred to in sub-paragraph (f) or (g) above:

(i) the holders of the ordinary shares of 10p each in the capital of Utilico Finance present in person or by proxy and entitled to vote and who vote (whether for or against) on such resolution at any special general meeting of Utilico Finance shall, on a poll, have for each such ordinary share such number of votes as is equal to four times the number of votes cast in aggregate by the holders of the ZDP Shares; and

(ii) those holders of ZDP Shares present in person or by proxy and entitled to vote and who vote in favour of such resolution at a separate general meeting of the holders of ZDP Shares shall, on a poll, have such number of votes in respect of ZDP Shares held by them (including fractions of a vote) so that the aggregate number of votes cast in favour of the resolution is four times the aggregate number of such shares in respect of which votes are cast against the resolution and each holder of ZDP Shares present in person or by proxy and entitled to vote who votes against such resolution shall, on a poll, have one vote for each share held by him, provided that, if any term of any offer or arrangement referred to in sub-paragraph

(f) or (g) above (as regards any one or more holders of ZDP Shares) shall have been breached (other than by such holder(s)) in any material respect of which the chairman of the meeting has received written notice prior to the commencement of such meeting, each holder shall, at any such meeting at which such holder is present in person or by proxy and entitled to vote, on a poll, have one vote for each such share held by him.

(i) Where by virtue of the provisions of the Utilico Finance Bye-laws, the holders of ZDP Shares are entitled to vote, every such holder present at a meeting shall upon a show of hands have one vote and (subject as referred to in sub-paragraph (h) above) upon a poll, every such holder present in person or by proxy shall have one vote in respect of each ZDP Share held by him.

1.4 ***Redemption***

(a) Utilico Finance shall (subject to the provisions of the Bermuda Companies Act) redeem all the outstanding ZDP Shares in each class on or within 14 days before the relevant ZDP Repayment Date.

(b) On the redemption of ZDP Shares in accordance with the provisions described in this paragraph 1.4, there shall be paid to the holders of the relevant class of ZDP Shares an amount equal to the Accrued Capital Entitlement per ZDP Share determined in accordance with the provisions described in paragraph 1.2 above.

(c) Any redemption notice shall specify the redemption amount and the address at which certificates for ZDP Shares are to be surrendered for redemption. A redemption notice may not be withdrawn without the prior class consent of the holders of the ZDP Shares concerned. No defect in the redemption notice or in the giving thereof shall affect the validity of the redemption proceedings.

(d) Unless otherwise determined by the Board, payments in respect of the amount due on redemption of ZDP Shares shall be made by sterling cheque drawn on a bank in the City of London or, upon the request of the holder or joint holders, by transfer to a sterling account maintained by the payee with a bank in the City of London. Such payment will be made against surrender of the relevant certificate in the case of certificated ZDP Shares or, if the relevant certificate has been lost or destroyed, the giving of an appropriate indemnity in a form satisfactory to the Board, provided that the Board may determine that surrender of certificates shall not be required, in which event each certificate shall be void and of no effect as from the date of payment of the amount due on the redemption of the ZDP Shares to which the certificate relates.

PART 6

FINANCIAL INFORMATION RELATING TO THE GROUP

The financial information contained in this Part 6 (Financial Information Relating to the Group) in respect of Utilico Finance has been extracted without material adjustment from the report and audited accounts of Utilico Finance for the three financial years ended 30 June 2009, 2010 and 2011, and in respect of Utilico the published annual report and audited accounts of the Group for each of the financial years ended 30 June 2009, 2010 and 2011, which have been incorporated by reference.

Grant Thornton UK LLP have been engaged by Utilico Finance and Utilico as their auditors since July 2008. None of the audit opinions provided by Grant Thornton UK LLP in respect of the financial information included or incorporated by reference in this document have been qualified.

Section A – Utilico Finance

Statement of Comprehensive Income

	Note	*Year to 30 June 2009 £'000s*	*Year to 30 June 2010 £'000s*	*Year to 30 June 2011 £'000s*
Interest income	2	10,116	10,838	11,602
Total income		10,116	10,838	11,602
Other expenses		–	–	–
Profit before finance costs and taxation		10,116	10,838	11,602
Finance costs	3	(10,116)	(10,838)	(11,602)
Profit before tax		–	–	–
Taxation		–	–	–
Profit for the year		–	–	–
Earnings per share – pence	4	–	–	–

Utilico Finance does not have any income or expense that is not included in the profit for the year, and therefore the 'profit for the year' is also the 'total comprehensive income for the year', as defined in International Accounting Standard 1 (revised).

All items in the above statement are derived from continuing operations.

Balance Sheet

	Note	*At 30 June 2009 £'000s*	*At 30 June 2010 £'000s*	*At 30 June 2011 £'000s*
Current assets				
Other receivables	5	150,322	161,160	172,762
Total assets less current liabilities		150,322	161,160	172,762
Non current liabilities				
Zero dividend preference shares	6	(150,322)	(161,160)	(172,762)
Net assets		–	–	–
Equity attributable to equity holders				
Ordinary share capital	7	–	–	–

Notes to the Accounts

1. Accounting policies

Utilico Finance is an investment company incorporated in Bermuda on 17 January 2007. The accounting policies below are unchanged from the previous year.

(a) Basis of accounting

The financial statements have been prepared on a historical cost basis.

The financial statements of Utilico Finance have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union, which comprise standards and interpretations approved by the International Accounting Standards Board and International Accounting Standards Committee that remain in effect.

A statement of changes in equity has not been presented as there is no movement in the current or prior year.

(b) Zero dividend preference shares

The ZDP Shares, due to be redeemed on 31 October 2012, 2014 and 2016 at a redemption value of 177.52 pence per share, 167.60 pence per share and 192.78 pence per share respectively, have been classified as liabilities, as they represent an obligation on behalf of Utilico Finance to deliver to their holders a fixed and determinable amount at the redemption date. They are accordingly accounted for at amortised cost, using the effective interest method. Under Bermuda company law ZDP Shares are recognised as share capital in Utilico Finance.

(c) Cash flow statement

There were no cash flows in the year or in the prior year and therefore a cash flow statement has not been prepared. All transaction movements were through the intra-group loan account.

(d) Foreign currency

The functional and reporting currency is pounds sterling because Utilico Finance's ZDP share capital was raised, and will be repaid, in pounds sterling, and has been lent to, and will be repaid by the parent company, in that currency.

(e) Other income

Interest on debt securities is accrued on a time basis using the effective interest method.

(f) Finance costs

Finance costs are accounted for on an effective interest method.

(g) Intra company loan

Utilico has agreed to place Utilico Finance in sufficient funds to enable Utilico Finance to pay the Accrued Capital Entitlement of each class of ZDP Share on their respective ZDP Repayment Dates. The amount owed in the accounts is based on the entitlements of the ZDP Shareholders at the relevant date.

2. Interest income

	2009 *£'000s*	*2010* *£'000s*	*2011* *£'000s*
Loan to parent company – interest receivable	10,116	10,838	11,602

3. Finance costs

	2009 £'000s	2010 £'000s	2011 £'000s
ZDP shares	10,116	10,838	11,602

4. Earnings per share

The calculation of earnings per share is based on a profit after tax of nil for all the years ended 30 June 2009, 30 June 2010 and 30 June 2011 and a weighted average number of 10 ordinary shares in issue during each year.

5. Other receivables

	2009 £'000s	2010 £'000s	2011 £'000s
Loan to parent company – Utilico Investments Limited	150,322	161,160	172,762

6. Zero dividend preference shares

Three classes of ZDP Shares have been issued as follows:

	2012 Number	2012 £'000s	2014 Number	2014 £'000s	2016 Number	2016 £'000s	Total £'000s
Authorised Utilico Finance ZDP shares of 10p each	60,592,190	6,059	50,000,000	5,000	50,000,000	5,000	16,059
2011							
Balance at 30 June 2010	45,486,200	68,936	37,500,00	46,112	37,500,000	46,112	161,160
Finance charges		4,820		3,420		3,362	11,602
Balance at 30 June 2011	45,486,200	73,756	37,500,00	49,532	37,500,000	49,474	172,762
2010							
Balance at 30 June 2009	45,486,200	64,430	37,500,00	42,946	37,500,000	42,946	150,322
Finance charges		4,506		3,166		3,166	10,838
Balance at 30 June 2010	45,486,200	68,936	37,500,00	46,112	37,500,000	46,112	161,160
2009							
Balance at 30 June 2008	45,486,200	60,218	37,500,000	39,994	37,500,000	39,994	140,206
Finance charges		4,212		2,952		2,952	10,116
Balance at 30 June 2009	45,486,200	64,430	37,500,00	42,946	37,500,000	42,946	150,322

2012 ZDP Shares

ZDP shares with a redemption date of 31 October 2012 were issued in UIT on 7 May 2004. As part of the scheme of reconstruction implementing the proposals for the voluntary winding-up and reconstruction of UIT, each UIT ZDP shareholder received one Utilico Finance 2012 ZDP Share for every UIT ZDP share held on 8 June 2007. Based on the initial entitlement of a UIT ZDP share of 100p on 7 May 2004, a 2012 ZDP

Share will have a Final Capital Entitlement at the end of its life on 31 October 2012 of 177.52p, equating to a 7 per cent. per annum Gross Redemption Yield. The capital entitlement (excluding issue costs) per 2012 ZDP Share at 30 June 2011 is 162.15p.

2014 ZDP Shares

Based on the initial entitlement of a 2014 ZDP Share of 100p on 15 June 2007, a 2014 ZDP Share will have a Final Capital Entitlement at the end of its life on 31 October 2014 of 167.60p equating to a 7.25 per cent. per annum Gross Redemption Yield. The capital entitlement (excluding issue costs) per 2014 ZDP Share at 30 June 2011 is 132.69p.

2016 ZDP Shares

Based on the initial entitlement of a 2016 ZDP Share of 100p on 15 June 2007, a 2016 ZDP share will have a Final Capital Entitlement at the end of its life on 31 October 2016 of 192.78p equating to a 7.25 per cent. per annum Gross Redemption Yield. The capital entitlement (excluding issue costs) per 2016 ZDP Share at 30 June 2011 is 132.69p.

The ZDP Shares carry no entitlement to income. However they have a pre-determined Final Capital Entitlement which ranks behind all other liabilities and creditors of Utilico Finance and Utilico but in priority to the ordinary shares of Utilico save in respect of certain winding up revenue profits.

The growth of each ZDP Share accrues daily and is reflected in the return and net asset value per ZDP Share on an effective interest basis.

The ZDP Shares do not carry any voting rights at general meetings of Utilico Finance. However Utilico will not be able to carry out certain corporate actions unless it obtains the separate approval of the ZDP Shareholders (treated as a single class) at a separate meeting. Separate approval of each class of ZDP Shareholders must be obtained in respect of any proposals which would affect their respective rights, including any resolution to wind up Utilico. In addition the approval of ZDP Shareholders by the passing of an extraordinary resolution at separate class meetings of the ZDP Shareholders is required in relation to any proposal to modify, alter or abrogate the rights attaching to any class of the ZDP Shares and in relation to any proposal by Utilico Finance or, Utilico which would reduce the Group's cover of the existing ZDP shares below 1.5 times.

On a liquidation of Utilico and/or Utilico Finance, to the extent that the relevant classes of ZDP Shares have not already been redeemed, the shares shall rank in the following order of priority in relation to the repayment of their Accrued Capital Entitlement as at the date of liquidation:

(i) the 2012 ZDP Shares shall rank in priority to the 2014 ZDP Shares and the 2016 ZDP Shares; and

(ii) the 2014 ZDP Shares shall rank in priority to the 2016 ZDP Shares.

The entitlement of ZDP Shareholders of a particular class shall be determined in proportion to their holdings of ZDP Shares of that class.

7. Ordinary share capital

	Number	£
Authorised		
Ordinary shares of 10p each	10	1
Balance at 30 June 2009, 30 June 2010 and 30 June 2011	10	1

In addition to receiving any income distributed by way of dividend, the ordinary shareholders will be entitled to all surplus assets after payment of all debts, including the capital entitlements of the ZDP Shares.

8. Parent undertaking

Utilico is the parent undertaking of Utilico Finance, holding 100 per cent. of the nil paid ordinary shares.

In the opinion of the Directors, the ultimate holding undertaking is General Provincial Life Pension Fund (L) Limited that is incorporated in Malaysia, holding 58.8 per cent. of the Ordinary Shares in Utilico.

9. Related party transactions

Utilico, General Provincial Life Pension Fund (L) Limited and the Board of Utilico Finance are considered related parties. Amounts owing from related parties are disclosed in the financial statements in note 5 and interest receivable from related parties is disclosed in note 2.

10. Financial Risk Management

The Board of Utilico Finance is responsible for Utilico Finance's risk management. The Directors' policies and processes for managing the financial risks are set out below.

The Accounting policies which govern the reported Balance Sheet carrying values of the underlying financial assets and liabilities, as well as the related income and expenditure, are set out in note 1 to the accounts. The policies are in compliance with International Financial Reporting Standards as adopted by the European Union and best practice, and include the valuation of financial assets at fair value and liabilities at amortised cost.

Interest Rate exposure

The exposure of the financial assets and liabilities to interest risks

2011	*Within one year £'000s*	*More than one year £'000s*	*Total £'000s*
Exposure to fixed rates			
Zero dividend preference shares	–	(172,762)	(172,762)
Intra-group loan	172,762	–	172,762
Net exposures			
At year end	172,762	(172,762)	–
Maximum in year	172,762	(172,762)	–
Minimum in year	161,160	(161,160)	–

2010	*Within one year £'000s*	*More than one year £'000s*	*Total £'000s*
Exposure to fixed rates			
Zero dividend preference shares	–	(161,160)	(161,160)
Intra-group loan	161,160	–	161,160
Net exposures			
At year end	161,160	(161,160)	–
Maximum in year	161,160	(161,160)	–
Minimum in year	150,322	(150,322)	–

2009	*Within one year £'000s*	*More than one year £'000s*	*Total £'000s*
Exposure to fixed rates			
Zero dividend preference shares	–	(150,322)	(150,322)
Intra-group loan	150,322	–	150,322
Net exposures			
At year end	150,322	(150,322)	–
Maximum in year	150,322	(150,322)	–
Minimum in year	140,206	(140,206)	–

Credit Risk exposure

Utilico Finance is exposed to potential failure by the parent undertaking, Utilico, to fund the ZDP Share liability on behalf of the Company on the respective repayment dates. The Board assesses this risk at each Board meeting.

2012 ZDP Shares

Based on their Final Capital Entitlement of 177.52p per share, the Final Capital Entitlement of the 2012 ZDP Shares was covered 3.63x times by the gross assets of Utilico on 30 June 2011. Should Utilico's gross assets fall by 72.4 per cent. over the remaining life of the 2012 ZDP Shares, then the 2012 ZDP Shares would not receive their Final Capital Entitlements in full. Should Utilico's gross assets fall by 92.4 per cent., equivalent to an annual fall of 85.4 per cent., the 2012 ZDP Shares would receive no payment at the end of their life.

2014 ZDP Shares

Based on their Final Capital Entitlement of 167.60p per share, the Final Capital Entitlement of the 2014 ZDP Shares was covered 2.32x times by the gross assets of Utilico on 30 June 2011. Should Utilico's gross assets fall by 56.9 per cent. over the remaining life of the 2014 ZDP Shares, then the 2014 ZDP Shares would not receive their Final Capital Entitlements in full. Should Utilico's gross assets fall by 72.4 per cent., equivalent to an annual fall of 32.1 per cent. the 2014 ZDP Shares would receive no payment at the end of their life.

2016 ZDP Shares

Based on their Final Capital Entitlement of 192.78p per share, the Final Capital Entitlement of the 2016 ZDP Shares was covered 1.64x times by the gross assets of Utilico on 30 June 2011. Should Utilico's gross assets fall by 39.1 per cent. over the remaining life of the 2016 ZDP Shares, then the 2016 ZDP Shares would not receive their Final Capital Entitlements in full. Should Utilico's gross assets fall by 56.9 per cent., equivalent to an annual fall of 14.6 per cent. the 2016 ZDP Shares would receive no payment at the end of their life.

None of Utilico's financial liabilities is past due or impaired.

Fair Values of financial assets and liabilities

The assets and liabilities of Utilico Finance are, in the opinion of the Directors, reflected in the balance sheet of Utilico Finance at fair value except for ZDP Shares which are carried at amortised cost using effective interest method in accordance with International Accounting Standards 39 or at a reasonable approximation thereof.

The fair values of the ZDP shares at 30 June are:

	2009 *£'000s*	*2010* *£'000s*	*2011* *£'000s*
2012 ZDP shares	68,570	72,664	76,644
2014 ZDP shares	43,688	48,563	53,531
2016 ZDP shares	33,738	40,781	50,063
	145,996	162,008	180,238

Capital risk management

The objective of Utilico Finance is to finance the redemption value of the ZDP Shares. The Board has a responsibility for ensuring Utilico Finance's ability to continue as a going concern and to meet the redemption of the ZDP Shares.

11. Disclosures included within the Directors' Report

Auditors

Audit fees relating to the year ended 30 June 2009 amounted to £8,000, 30 June 2010 amounted to £7,000 and 30 June 2011 amounted to £7,000 and were settled by the parent undertaking, Utilico.

No fees were paid or payable to Grant Thornton UK LLP for non audit work for the years ended 30 June 2009, 2010 and 2011.

Directors' Remuneration

No Director received or is entitled to receive any remuneration from Utilico Finance.

Section B – the Group

1. Statutory accounts for the three financial years ended 30 June 2009, 2010 and 2011

Statutory accounts of the Group for the three financial years ended 30 June 2009, 2010 and 2011, in respect of which Utilico's auditors, Grant Thornton UK LLP, have given unqualified opinions that the accounts give a true and fair view of the state of affairs of Utilico and the Group for the three financial years ended 30 June 2009, 2010 and 2011 and that the accounts have been properly prepared in accordance with the Bermuda Companies Act 1981 and that the part of the Directors' Remuneration Report that is stated as having been audited shows the fees paid by Utilico to its Directors, have been incorporated into this document by reference.

Grant Thornton UK LLP is a member of the Institute of Chartered Accountants in England and Wales.

2. Published annual reports and accounts for the three financial years ended 30 June 2009, 2010 and 2011

2.1 ***Historical financial information***

The published annual reports and audited accounts for the Group for the three financial years ended 30 June 2009, 2010 and 2011, which have been incorporated in this document by reference, included, on the pages specified in the table below, the following information:

	Annual report and accounts for the year ended 30 June (audited)		
	2009	*2010*	*2011*
Nature of information	*Page Nos*	*Page Nos*	*Page Nos*
Income Statement/Statement of Comprehensive Income	34	35	35
Statement of changes in equity	36	37	37
Balance sheet	38	39	39
Cash flow statement	39	40	40
Accounting policies	40-42	41-43	41-43
Notes to the accounts	43-70	44-66	44-67
Report of the independent auditor	33	34	34
Chairman's statement	5	5	5
Investment Manager's report	7-12	7-12	7-10
Report of the Directors	21-26	21-27	20-26

2.2 ***Selected financial information***

The key audited figures that summarise the Group's financial condition in respect of the three financial years ended 30 June 2009, 2010 and 2011, which have been extracted without material adjustment from the historical financial information referred to in paragraph 2.1 of this Part 6, are set out in the following table:

	As at or for the period ended 30 June (audited)		
	2009	*2010*	*2011*
Net assets (£'000)	126,858	143,720	201,477
Net asset value per share (pence)	146.87	166.39	201.63
Total			
Total income (£'000)	(54,956)	43,191	47,623
Net (loss)/profit (£'000)	(69,543)	27,312	31,147
Earnings per share (pence)	(79.85)	31.62	33.70
Dividend per share (pence)	–	–	8.25
Revenue			
Total revenue income (£'000)	8,526	13,781	11,934
Net profit (£'000)	2,416	9,062	7,073
Earnings per share-basic (pence)	2.77	10.49	7.65
Earnings per share-diluted (pence)	2.77	10.49	7.65

2.3 ***Operating and financial review***

The Group's published annual reports and accounts for the three financial years ended 30 June 2009, 2010 and 2011 included, on the pages specified in the table below: descriptions of the Group's financial condition (in both capital and revenue terms); details of the Group's investment activity and portfolio exposure; and changes in its financial condition for each of those years.

	Annual report and account for the period ended 30 June (audited)		
	2009	*2010*	*2011*
Nature of information	*Page Nos*	*Page Nos*	*Page Nos*
Chairman's statement	5	5	5
Investment Manager's Report	7-12	7-12	7-10
Portfolio analyses	13-16	13-16	11-15
Performance, discount and financial record	2	2	3

The causes of material changes in the capital value of the Group's assets in these three financial years can be summarised as follows (figures have been rounded to the nearest £1,000):

(i) in the year to 30 June 2009, the Group made a net capital loss of £71,959,000. £60,202,000 of this related to losses on investments, with an unrealised loss of £47,277,000 and a realised loss of £12,925,000. The balance consisted of gains on derivatives of £2,689,000, finance costs including increase of ZDP Share liability and other costs of £8,477,000, exchange losses of £8,141,000 and other income of £2,172,000; and

(ii) in the year to 30 June 2010, the Group made a net capital gain of £18,250,000. £36,852,000 of this related to gains on investments, with an unrealised gain of £33,261,000 and a realised gain of £3,591,000. The balance consisted of losses on derivatives of £8,510,000, finance costs including increase of ZDP Share liability and other costs of £11,160,000 and exchange gains of £1,068,000; and

(iii) in the year to 30 June 2011, the Group made a net capital gain of £24,074,000. £50,200,000 of this related to gains on investments, with an unrealised loss of £25,416,000 and a realised gain of £75,616,000. The balance consisted of losses on derivatives of £12,960,000, finance costs including increase of ZDP Share liability and other costs of £11,615,000 and exchange losses of £1,594,000.

It is not expected that there will be any material impact on the earnings and liabilities per Ordinary Share as a result of the issue of the New ZDP Shares.

2.4 ***Capital resources***

The Company is funded by both equity and debt, with the debt provided through a £30 million multi-currency facility pursuant to a loan agreement with ScotiaBank Europe PLC which expires in March 2013. As at 29 November 2011, the latest practicable date prior to the publication of this document, approximately £17.6 million of this facility was drawn down and the Company's borrowings represent approximately 4.0 per cent. of the Company's Gross Assets (source: Company unaudited assets and liabilities schedule).

The Company also holds two smaller loans: an on-demand loan of £0.6 million with Newtel Holdings Limited and a £3.0 million interest bearing loan with OneLink Holdings Pty. Ltd which is repayable on 7 April 2012.

In the four month period 30 June 2011 to 31 October 2011, the Company had unaudited cash flows from operations of £16.6 million (source: Company's unaudited management accounts).

2.5 ***Availability of annual reports and accounts for inspection***

Copies of the Group's annual reports and audited accounts for the three financial years ended 30 June 2009, 2010 and 2011 are available for inspection at the address set out in paragraph 14 of Part 9 of this document and also at www.utilico.bm.

3. Capitalisation and indebtedness

3.1 The following table, sourced from the Group's internal accounting records, shows the Group's unaudited indebtedness (distinguishing between guaranteed and unguaranteed, secured and unsecured indebtedness) as at 30 September 2011 (being the latest practicable date prior to the publication of this document) and the Group's audited capitalisation as at 30 June 2011 (being the last date in respect of which the Group has published financial information).

	30 September 2011 (unaudited) £'000
Total Current Debt	
Guaranteed/secured	–
Unguaranteed/unsecured	3,365
Total Non-Current Debt	
Guaranteed/secured	10,624
Unguaranteed/unsecured	175,821

	30 June 2011 (audited) £'000
Shareholder equity	
Shareholder equity	9,993
Legal reserves (Share premium special reserve)	264,116
Other reserves	35,118
	309,227

There has been no capitalisation movement from the last published audited accounts at 30 June 2011 to 30 September 2011.

The following table shows the Group's unaudited net indebtedness as at 30 September 2011 (being the latest practicable date prior to the publication of this document).

		30 September 2011 (unaudited) £'000
A.	Cash	502
B.	Cash equivalent	–
C.	Trading securities	–
D.	Liquidity (A+B+C)	502
E.	Current financial receivable	–
F.	Current bank debt	2,975
G.	Current portion of non-current debt	–
H.	Trading securities payable	–
I.	Other current financial debt	3,365
J.	Current financial debt (F+G+H+I)	6,340
K.	Net current financial indebtedness (J-E-D)	5,838
L.	Non-current bank loans	10,624
M.	Bonds issued	–
N.	Other non-current loans	175,821
O.	Non-current financial indebtedness (L+M+N)	186,445
P.	Net financial indebtedness (K+O)	192,283

4. Working capital

In Utilico Finance's opinion, the Group has sufficient working capital for its present requirements, that is, for at least the 12 months following the date of this document. III 3.1

PART 7

TAXATION

Bermuda Taxation

At the date of this document, there is no Bermuda income, corporation, or profits tax, withholding tax, capital gains tax, capital transfer tax, estate duty or inheritance tax payable by the Group or any of its Shareholders other than Shareholders ordinarily resident in Bermuda. The Group is not subject to stamp duty on the issue, transfer or redemption of any of its shares.

Both Utilico and Utilico Finance have received an undertaking from the Minister of Finance of Bermuda under the Exempted Undertakings Tax Protection Act, 1966, as amended, that, in the event that there is enacted in Bermuda any legislation imposing (i) tax computed on profits or income, (ii) tax computed on any capital assets, gain or appreciation or (iii) any tax in the nature of estate duty or inheritance tax, such tax shall not until 31 March 2035 be applicable to the Group or to any of its operations, shares, debentures or other obligations except insofar as such tax applies to persons ordinarily resident in Bermuda and holding such shares, debentures or other obligations of the Group or any land leased to the Group.

As exempted companies, Utilico and Utilico Finance are each liable to pay the Bermuda Government an annual government fee which is currently US$18,670 and US$10,455 respectively (based on each company's assessable capital which includes share premium). The annual government fee may increase following any share capital increases by Utilico and Utilico Finance and thereafter will be based on the share capital and share premium account of each Company as at August of each year.

UK Taxation

The information set out below relates to taxation applicable to Utilico Finance and to certain ZDP Shareholders. These statements are intended to apply only as a general guide to current UK tax law and to the current published practice of HM Revenue & Customs, and is therefore subject to any subsequent changes. They are intended to apply only to ZDP Shareholders who are resident, and in the case of individuals, ordinarily resident in the UK for UK tax purposes, who hold the ZDP Shares as investments and who are the beneficial owners of the ZDP Shares. The statements may not apply to certain classes of ZDP Shareholders such as dealers in securities. The information is given by way of general summary only and does not constitute legal or tax advice to any person. Any ZDP Shareholder who is in any doubt as to their tax position regarding the acquisition, ownership or disposal of the ZDP Shares, or who is subject to tax in a jurisdiction other than the UK, should consult their own tax advisers.

The Company

It is the intention of the Directors of Utilico Finance to conduct the affairs of Utilico Finance so that the central management and control of the company is not exercised in the UK and so that Utilico Finance does not carry out any trade in the UK (whether or not through a permanent establishment situated there). On this basis, Utilico Finance should not be liable for UK taxation on its income and gains other than certain income deriving from a UK source.

UK ZDP Shareholders

The ZDP Rollover Offer

The conversion of 2012 ZDP Shares into 2018 ZDP Shares under the ZDP Rollover Offer should not result in a holder of 2012 ZDP Shares being regarded as disposing of those 2012 ZDP Shares for the purposes of the UK taxation of chargeable gains. Instead, for such purposes, the 2018 ZDP Shares acquired should be treated as the same asset as the holding of 2012 ZDP Shares converted. Accordingly, the ZDP Shareholder should be regarded as having acquired those 2018 ZDP Shares at the same time and for the same base cost as his or her holding of 2012 ZDP Shares.

UK Taxation of Capital Gains

It is not expected that gains realised on ZDP Shares will be taxed under the UK legislation relating to offshore funds. Any profit on the disposal (including a redemption insofar as the proceeds of that redemption are capital) of ZDP Shares by a ZDP Shareholder who is an individual and is resident or ordinarily resident in the UK should be charged to UK tax as a capital gain. A ZDP Shareholder who is temporarily non-resident for tax purposes in the UK and who returns to the UK and satisfies the residence requirements within a period of less than five years of assessment from the date of his departure and who disposes of his ZDP Shares during that period may also be liable, on his return to the UK, to UK taxation of chargeable gains.

Under current law, an individual ZDP Shareholder who is resident or ordinarily resident in the UK for taxation purposes will benefit from an annual exemption which, in the tax year 2011/12, exempts the first £10,600 of any gains from the sum charged to capital gains tax. After use of the annual exemption and relief for losses, if relevant, capital gains realised on the sale or other disposal of ZDP Shares will be taxed at a rate of 28 per cent. if the ZDP Shareholders are additional rate or higher rate taxpayers and 18 per cent. if they are basic rate taxpayers. Taper relief is no longer available.

ZDP Shareholders within the charge to UK corporation tax should be subject to UK corporation tax on chargeable gains on receipt of the Final Capital Entitlement or other disposal of the ZDP Shares in accordance with their circumstances, provided that the provisions of Chapter 2A (Disguised Interest) and Chapter 6A (Shares Accounted for as Liabilities) of Part 6 of the Corporation Tax Act 2009 do not apply (as to which please see "Other UK taxation matters" below). ZDP Shareholders who are subject to corporation tax should benefit from indexation allowance on any capital gain realised on the disposal of their ZDP Shares.

Other UK taxation matters

ZDP Shareholders who are subject to UK corporation tax should note the provisions of Chapter 2A (Disguised Interest) and 6A (Shares Accounted for as Liabilities) of Part 6 of the Corporation Tax Act 2009. Where these provisions apply, sums paid to such ZDP Shareholders on redemption or other disposal of the ZDP Shares will not be treated as capital receipts but will instead be treated as a return economically equivalent to a return on an investment at interest and will be taxed under the UK loan relationships regime. Shareholders who may be affected by these provisions should consult their own tax advisers.

The Income and Corporation Taxes Act 1988 contains provisions (the "controlled foreign companies legislation") that affect United Kingdom resident companies that are deemed to be interested in at least 25 per cent. of the profits of a non-United Kingdom resident company that is controlled by residents of the United Kingdom. The provisions may operate to attribute a proportion of such a company's profits to such 25 per cent. shareholders. The UK Government has published a consultation document on the reform of the controlled foreign companies legislation. As at the date of this document, it is not possible to predict the scope or timing of any changes to be introduced.

UK Shareholders who hold 10 per cent. or more of the ZDP Shares in Utilico Finance should be aware that Utilico Finance may be regarded as a close company if it were resident in the UK. If it is, capital gains realised by Utilico Finance will be attributed to such UK resident or ordinarily resident ZDP Shareholders in accordance with section 13 of the Taxation of Chargeable Gains Act 1992.

The attention of individuals ordinarily resident in the UK is drawn to the provisions of Chapter 2, Part 13 of the Income Tax Act 2007 which may render such individuals liable to tax on the income of Utilico (taken before any deduction for interest) in certain circumstances.

The attention of UK residents and domiciled investors is drawn to Part 15 of the Corporation Tax Act 2010 and section 684 of the Income Tax Act 2007 under which HM Revenue & Customs may seek to cancel tax advantages from certain transactions in securities.

Non-UK Shareholders

ZDP Shareholders who are not resident or ordinarily resident (or temporarily non resident) in the UK and do not carry on a trade, profession or vocation through a branch, agency or other form of permanent establishment in the UK with which the ZDP Shares are connected will not normally be liable to UK taxation on capital gains arising on the sale or other disposal of their ZDP Shares. However, non-UK ZDP Shareholders will need to take specific professional advice about their individual tax position.

ISAs

ZDP Shares are eligible to be held in the stocks and shares component of an ISA subject to applicable subscription limits, and provided that the ISA manager has been issued the ZDP Shares under the Scheme or acquired them through the secondary market following Admission. ZDP Shares acquired pursuant to the Placing will not be eligible for inclusion in an ISA.

Stamp Duty and Stamp Duty Reserve Tax ("SDRT")

Transfers of ZDP Shares will not be liable to UK stamp duty unless the instrument of transfer is executed within the UK when the transfer will be liable to UK ad valorem stamp duty at the rate of 0.5 per cent. of the consideration paid rounded up to the nearest £5. Provided that ZDP Shares are not registered in any register of Utilico Finance kept in the UK, any agreement to transfer the ZDP Shares should not be subject to SDRT.

Where Depositary Interests in respect of the ZDP Shares are traded within CREST, there should be no charge to SDRT due to the provisions of the Stamp Duty Reserve Tax (UK Depositary Interests in Foreign Securities) Regulations 1999, provided that ZDP Shares are not registered in any register of Utilico Finance kept in the UK.

PART 8

PRINCIPAL BASES AND ASSUMPTIONS

Unless otherwise indicated, the statistics contained in this document relating to the ZDP Shares have been calculated on the following principal bases and assumptions:

- As at the Rollover Date, there are 99,926,782 Ordinary Shares, 45,486,200 2012 ZDP Shares, 37,500,000 2014 ZDP Shares, 37,500,000 2016 ZDP Shares and 3,587,343 Utilico Warrants in issue;
- The unaudited Gross Assets and Net Asset Value of Utilico as at 29 November 2011 were £437.5 million and £242.1 million respectively;
- As at 29 November 2011, the Net Asset Value per Ordinary Share was 242.26p on an undiluted basis and 242.26p on a diluted basis;
- The costs of the Proposals are approximately £1.1 million (excluding VAT);
- As at 29 November 2011, Utilico had outstanding bank debt of £17.6 million;
- A total of 49,842,413 2018 ZDP Shares arise on the conversion of 2012 ZDP Shares pursuant to the Rollover Offer;
- A total of 10,000,000 2014 ZDP Shares and 10,000,000 2016 ZDP Shares are issued pursuant to the Placing and such ZDP Shares are issued at 149.5p and 148.5p respectively, being the respective mid market prices as at 30 November 2011;
- Gross proceeds of £29.8 million are raised pursuant to the Placing;
- The capital accrual of a 2012 ZDP Share is 7.0 per cent. per annum, compounded from a notional issue date of 7 May 2004 up to and including its repayment date and is accounted for on a daily basis in arrears as to 100 per cent. to capital reserve. The Final Capital Entitlement of 177.52p per 2012 ZDP Share is payable on 31 October 2012;
- The capital accrual of a 2014 ZDP Share is 7.25 per cent. per annum, compounded from an issue date of 15 June 2007 up to and including its repayment date and is accounted for on a daily basis in arrears as to 100 per cent. to capital reserve. The Final Capital Entitlement of 167.60p per 2014 ZDP Share is payable on 31 October 2014;
- The capital accrual of a 2016 ZDP Share is 7.25 per cent. per annum, compounded from an issue date of 15 June 2007 up to and including its repayment date and is accounted for on a daily basis in arrears as to 100 per cent. to capital reserve. The Final Capital Entitlement of 192.78p per 2016 ZDP Share is payable on 31 October 2016;
- The capital accrual of a 2018 ZDP Share is 7.25 per cent. per annum, compounded from a notional issue date of 26 January 2012 up to and including its repayment date and is accounted for on a daily basis in arrears as to 100 per cent. to capital reserve. The Final Capital Entitlement of 160.52p per 2018 ZDP Share is payable on 31 October 2018;
- Management fees, interest on borrowings and running expenses are charged 100 per cent. to revenue and the gross revenue receivable is at least equal to these costs;
- Performance fees are calculated and accrued weekly and charged to capital or revenue accounts based on performance;
- Utilico and Utilico Finance have indefinite lives;
- There are no changes to generally accepted accounting practices relevant to Utilico;
- No redemption, conversions or repurchases of any Ordinary Shares, ZDP Shares or Warrants are made prior to the redemption of the 2018 ZDP Shares.

PART 9

GENERAL INFORMATION

1 Responsibility

The Directors of Utilico Finance, the Directors of Utilico and each of Utilico Finance and Utilico accept responsibility for the information contained in this document, and declare that, having taken all reasonable care to ensure that such is the case, the information contained in this document is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect its import.

2 Information on Utilico Finance

2.1 Utilico Finance was incorporated in Bermuda on 17 January 2007 as an exempted, closed-ended investment company with limited liability under the Bermuda Companies Act with registered number 39479. Utilico Finance has an unlimited life.

2.2 Utilico Finance operates under the Bermuda Companies Act, but is otherwise not regulated.

2.3 Utilico Finance's registered office is in Bermuda and is located at Canon's Court, 22 Victoria Street, Hamilton HM 12 Bermuda. Utilico Finance's telephone number is 00 1441 295 2244.

2.4 Save for its entry into the material contracts summarised in paragraph 8 of this Part 9 and certain non-material contracts, since its incorporation Utilico Finance has not traded or incurred any borrowings.

3 Information on Utilico

3.1 Utilico was incorporated in Bermuda on 17 January 2007 as an exempted, closed-ended investment company with limited liability under the Bermuda Companies Act with registered number 39480. Utilico has an unlimited life.

3.2 Utilico operates under the Bermuda Companies Act, but is otherwise not regulated.

3.3 Utilico's registered office is in Bermuda and is located at Canon's Court, 22 Victoria Street, Hamilton HM 12 Bermuda. Utilico's telephone number is 00 1441 295 2244.

4 Share Capital of the Issuer

4.1 At the date of incorporation, Utilico Finance had an authorised share capital of £1 comprising one share of £1 that was issued nil paid to Utilico.

4.2 On 9 May 2007, by written resolution, Utilico Finance sub-divided its existing issued share capital into ten ordinary shares of 10p each and increased its existing authorised share capital from £1 to £16,059,220 by the creation of:

4.2.1 60,592,190 Utilico Finance 2012 ZDP Shares of 10p each;

4.2.2 50,000,000 Utilico Finance 2014 ZDP Shares of 10p each; and

4.2.3 50,000,000 Utilico Finance 2016 ZDP Shares of 10p each.

4.3 On 2 December 2011, by written resolution, Utilico Finance increased its existing authorised share capital from £16,059,220 to £19,015,822.10 by the creation of 49,842,413 2018 ZDP Shares of 5.9319p each.

4.4 The authorised and issued share capital of Utilico Finance as at the date of this document and at Admission (based on the Assumptions) is as follows:

			As at the date of this document		*At Admission**	
Authorised			*Issued and fully paid*		*Issued and fully paid*	
£	*Number*		*£*	*Number*	*£*	*Number*
6,059,219	60,592,190	2012 ZDP Shares	4,548,620	45,486,200	1,592,017	15,920,170
5,000,000	50,000,000	2014 ZDP Shares	3,750,000	37,500,000	4,750,000	47,500,000
5,000,000	50,000,000	2016 ZDP Shares	3,750,000	37,500,000	4,750,000	47,500,000
2,956,602.10	49,842,413	2018 ZDP Shares	–	–	2,956,602.10	49,842,413

** The above table assumes that in aggregate 49,842,413 2018 ZDP Shares arise on the conversion of 2012 ZDP Shares pursuant to the Rollover Offer and a further 10m 2014 ZDP Shares and 10m 2016 ZDP Shares are issued under the Placing.*

4.5 The ISIN number of the 2012 ZDP Shares is BMG931261033, of the 2014 ZDP Shares is BMG931261116, of the 2016 ZDP Shares is BMG931261298 and of the 2018 ZDP Shares is BMG931261371.

4.6 The liability of holders of the ordinary shares in the capital of Utilico Finance and ZDP Shareholders is limited to the amount payable in respect of those ordinary shares and ZDP Shares held by them respectively.

4.7 The rights attaching to the ordinary shares in the capital of Utilico Finance and rights attaching to the ZDP Shares are set out in paragraph 7 of this Part 9.

4.8 Save pursuant to the Rollover Offer and the Placing, in the last three years no share or loan capital of Utilico Finance has been issued or agreed to be issued, or is now proposed to be issued, for cash or any other consideration and no commission, discounts, brokerages or other special terms have been granted by Utilico Finance in connection with the issue of any such capital.

4.9 No share or loan capital of Utilico Finance is under option or has been agreed, conditionally or unconditionally, to be put under option.

4.10 The Utilico Finance Bye-laws authorise the Directors to allot an unlimited number of Utilico ZDP Shares without pre-emption rights applying for existing ZDP Shareholders.

4.11 A resolution of Utilico Finance has been passed granting Utilico Finance authority to make market purchases of up to 14.99 per cent. of the Utilico Finance ZDP Shares in issue as at 23 September 2010, such authority to expire on the earlier of 3 June 2012 and the conclusion of the annual general meeting of Utilico Finance in 2011. The maximum price to be paid will not be more than the price permitted by the Listing Rules at the time of purchase (which currently set a price equal to 5 per cent. above the average market values of the of the ZDP Shares as derived from the Daily List of the London Stock Exchange for the 5 business days before the purchase is made or the higher of (i) the price of the last independent trade and (ii) the highest current bid at the time of purchase), and any purchases made will be in accordance with Listing Rules and the Bermuda Companies Act. In any event no purchase of ZDP Shares will be made at a price in excess of their Accrued Capital Entitlement (at a date determined by the Directors falling not more than 10 days before the date of purchase) unless the Directors determine that a purchase at a higher price is in the interests of ZDP Shareholders. It is intended that a resolution to renew this authority will be passed at the annual general meeting of Utilico Finance to be held on 30 November 2011.

4.12 As of the date of this document, Utilico Finance has no listed or unlisted securities not representing share capital.

5 Share capital of Utilico

5.1 *Movements in the share capital of Utilico*

5.1.1 At the date of its incorporation, Utilico had an authorised share capital of £1 comprising one share of £1 that was issued nil paid to Utilico Investment Trust. On 9 May 2007, by written resolution, Utilico sub-divided the existing issued share capital into ten ordinary shares of 10p each. These ten ordinary shares were gifted to Utilico and cancelled by Utilico in 2007.

5.1.2 On 9 May 2007, by written resolution, Utilico increased its authorised share capital from £1 to £12,747,950 by the creation of 127,479,490 Ordinary Shares of 10p each.

5.1.3 On 20 June 2007, 79,656,782 Ordinary Shares were issued on Utilico's admission to the Official List. Since that date, the following movements in share capital have taken place:

5.1.3.1 on 6 November 2007, 168,606 Ordinary Shares were issued on the exercise of warrants;

5.1.3.2 on 7 May 2008, 12,169,153 Ordinary Shares were issued on the expiry of a series of warrants and a further 3,782 Ordinary Shares were issued on the exercise of Warrants;

5.1.3.3 on 8 May 2008, 880,000 Ordinary Shares were bought back and subsequently cancelled;

5.1.3.4 on 20 August 2008, 2,500,000 Ordinary Shares were bought back and subsequently cancelled;

5.1.3.5 on 29 August 2008, 2,245,660 Ordinary Shares were bought back and subsequently cancelled;

5.1.3.6 on 6 November 2008, 294 Ordinary Shares were issued on the exercise of Warrants;

5.1.3.7 on 6 November 2009, 878 Ordinary Shares were issued on the exercise of Warrants;

5.1.3.8 on 7 May 2010, 28 Ordinary Shares were issued on the exercise of Warrants;

5.1.3.9 on 7 April 2011, 712 Ordinary Shares were issued on the exercise of Warrants;

5.1.3.10 on 27 June 2011, 346 Ordinary Shares were issued on the exercise of Warrants;

5.1.3.11 on 14 November 2011, 303 Ordinary Shares were issued on the exercise of Warrants; and;

5.1.3.12 on 18 November 2011, 27 Ordinary Shares were issued on the exercise of Warrants.

5.2 The authorised and issued share capital of Utilico as at the date of this document and, based on the Assumptions will, upon Admission, be:

	Ordinary Shares
Number in issue	99,926,782
Total nominal value (£)	9,992,678.2

5.3 At 30 November 2011, being the latest practicable date prior to the publication of this document, Utilico has 3,587,343 Warrants in issue. Each Warrant entitles the holder thereof to subscribe for 1.090909 Ordinary Shares for every Warrant so held at a subscription price of 288.75p.

5.4 The ISIN number of the Ordinary Shares is BMG9314Y1003 and the ISIN number of the Warrants is BMG9314Y1268.

5.5 The liability of Utilico Shareholders is limited to the amount payable in respect of the Ordinary Shares held by them.

5.6 The rights attaching to the Ordinary Shares are set out in paragraph 7 of this Part 9.

5.7 Save pursuant to the Warrant Instrument, no share or loan capital of Utilico is under option or has been agreed, conditionally or unconditionally, to be put under option.

5.8 The Utilico Bye-laws and Memorandum of Association currently authorise the Directors to allot up to 127,479,500 Ordinary Shares and following the passing of a resolution at the AGM held on 2 December 2010, the Bye-Laws incorporate pre-emption rights for existing Utilico Shareholders on the issue of Ordinary Shares for cash. A resolution was passed at the 2011 AGM on 30 November 2011 to dis-apply such pre-emption rights in respect of 9,992,645 Ordinary Shares, being approximately 10 per cent. of the issued share capital as at the date of the notice of the 2011 AGM. Where Ordinary Shares are issued for non-cash consideration pre-emption rights will not apply.

5.9 A resolution of Utilico was passed at Utilico's AGM on 30 November 2011, which granted Utilico the authority to make market purchases of up to 14,978,975 Ordinary Shares. This authority expires on 31 May 2013 unless varied by a special resolution at an earlier date. The maximum price to be paid will not be more than the price permitted by the Listing Rules at the time of purchase (which currently set a price equal to 5 per cent. above the average market value of the Ordinary Shares as derived from the Daily List of the London Stock Exchange for the 5 business days before the purchase is made or the higher of (i) the price of the last independent trade and (ii) the highest current bid at the time of purchase), and any purchases made will be in accordance with the Listing Rules and the Bermuda Companies Act. In any event no purchase of Ordinary Shares will be made at a price in excess of the Net Asset Value of the Ordinary Shares (as determined by the Directors on a date falling not more than 10 days before the date of purchase). A resolution to renew this authority will be proposed at the annual general meeting of Utilico to be held on 30 November 2011.

5.10 As of the date of this document, Utilico has no listed or unlisted securities not representing share capital.

5.11 Under section 103 of the Bermuda Companies Act, the holders of not less than 95 per cent. of the Ordinary Shares may give notice to the remaining Utilico Shareholders to acquire their Ordinary Shares on the terms set out in the notice.

6 Directors' and other interests

6.1 As at the date of this document, the interests of the Directors and the persons connected (within the meaning of section 252 of the UK Companies Act 2006) with them (all of which will be beneficial) in the share capital of Utilico and Utilico Finance are as follows:

	Utilico Ordinary Shares	*Percentage of Utilico's issued share capital*	*ZDP Shares*	*Percentage of Utilico Finance's share capital*
Roger Urwin	144,371	0.14	52,029	0.14
Peter Burrows	–	–	–	–
Michael Collier	145,000	0.15	–	–
Susan Hansen	37,000	0.04	–	–
Eric Stobart	20,000	0.02	–	–

6.2 In the financial year ended 30 June 2011, Michael Collier received a Director's fee of £35,000, Eric Stobart received a Director's fee of £33,000 and Roger Urwin, Warren McLeland (a former director) and Susan Hansen each received a Director's fee of £25,000. The Directors were not paid any amount of remuneration by way of benefits in kind, pension contributions and any contingent or deferred compensation by Utilico or Utilico Finance for their services in all capacities to the Group. Accordingly, there are no amounts set aside or accrued by Utilico or Utilico Finance to provide pension, retirement or similar benefits to the Directors.

6.3 Roger Urwin, Michael Collier, Susan Hansen and Eric Stobart act pursuant to letters of appointment with each of Utilico and Utilico Finance dated 3 May 2007. Peter Burrows acts pursuant to a letter of appointment with Utilico dated 16 September 2011.

6.4 No loan has been granted to, nor any guarantee provided for the benefit of, any Director by Utilico or Utilico Finance. Utilico and Utilico Finance maintain directors' and officers' liability insurance for the benefit of the Directors.

6.5 There are no actual or potential conflicts of interest between the duties of the Directors to Utilico or to Utilico Finance and their respective private interests or other duties.

6.6 None of the Directors has or has had any interest in any transaction which is or was unusual in its nature or conditions or significant to the business of the Group which has been effected by it since its incorporation.

6.7 The companies and partnerships of which the Directors currently are or have been members of the administrative, management or supervisory bodies or partners at any time during the five years preceding the date of this document (excluding subsidiaries of such companies or partnerships) are as follows:

	Current directorships/ partnerships	*Former directorships/ partnerships*
Roger Urwin	Canadian Utilities Inc Canadian Utilities Limited ATCO Power Generation Limited Barking Power Limited Thames Power Limited	Alfred McAlpine plc National Grid plc National Grid Transco plc Utilico Investment Trust plc Special Utilities Investment Trust plc (in members' voluntary liquidation)
Peter Burrows	Bell Potter Securities	Eclectic Investment Company plc
Michael Collier	Ascendant Limited ATNP Finance Company RESIMAC Limited Belco Holdings Limited Exelon Enterprises Investments Inc. Exelon Generation Finance Company LLC Resimac Bermuda Limited Somers Isles Shipping Co, Ltd. Teck Gold Ltd. Teck Base Metals Ltd. Teck Financial Corporation Ltd. West Hamilton Holdings Limited Windsong Management Bermuda Limited	Indigo Trust Limited Utilico Emerging Markets Limited United Insurance Ltd.
Susan Hansen	Susan Hansen Limited RESIMAC Limited	Finmedia Limited (struck off following members' voluntary liquidation)
Eric Stobart	Adviser (177) Limited Classic Southdown Omnibuses Limited DSG Pension Trustees Limited Capita Managing Agency Limited Falcon Managers Limited A E Grant (Underwriting Agencies) Limited LGMC Investors LLP Lloyds TSB Group Pension Trust (No. 1) Limited Lloyds TSB Group Pension Trust (No. 2) Limited Lloyds TSB Group Pension Trustee Services Limited Lloyds Your Tomorrow Trustee Limited LSF Pensions Management Limited	Advent Capital (Holdings) Plc Adviser (132) Limited (dissolved following members' voluntary liquidation) Bermuda Commercial Bank Limited GF One Limited GF Two Limited M J Gleeson Group PLC Hill Samuel Bank Limited Hill Samuel Overseas Holdings Limited Hill Samuel Finance (No 3) Limited Hill Samuel Finance (No 10) Limited Hill Samuel Finance (No 12) Limited Hill Samuel Finance (No 21) Limited Hill Samuel International Limited Hirefell Limited (dissolved following members' voluntary liquidation) The Law Debenture Pension Trust Corporation P.L.C.

	Current directorships/ partnerships	*Former directorships/ partnerships*
Eric Stobart (continued)	The Throgmorton Trust plc The Third Throgmorton Trust Limited Third Bagleys Lane Management Company Limited T.T. Finance PLC	London Handel Society Limited Millspires Limited (in members' voluntary liquidation) Norwich & Peterborough Building Society Permanent Investments Limited Reamhurst Properties Limited RVC Developments Limited Tax Incentivised Savings Association The Stroke Association Utilico Investment Trust PLC Wood Street Finance (No 1) Limited

6.8 None of the Directors has:

6.8.1 any convictions in relation to fraudulent offences for at least the previous five years;

6.8.2 been declared bankrupt or been the subject of an individual voluntary arrangement within the previous five years;

6.8.3 save as set out below, been a director of a company, a member of the administrative, management or supervisory body or a senior manager of a company within the previous five years which has gone into receivership, compulsory liquidation, creditors' voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors;

6.8.4 been a partner or a senior manager in a partnership which has gone into compulsory liquidation, administration or a partnership voluntary arrangement where he was a partner within the previous five years;

6.8.5 been subject to the receivership of any personal assets within the previous five years;

6.8.6 been a partner or a senior manager in a partnership which has gone into receivership where he was a partner within the previous five years; or

6.8.7 been the subject of any official public incrimination or sanctions by any statutory or regulatory authority (including designated professional bodies) or disqualified by a court from acting as a director of a company or as member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any company within the previous five years.

6.9 Other than those persons set out below, the Directors are not aware of any persons holding, directly or indirectly, 3 per cent. or more of Utilico or Utilico Finance's issued share capital as at 30 November 2011, being the latest practicable date prior to the publication of this document.

	Percentage of Utilico's issued Ordinary Share capital
General Provincial Life Pension Fund (L) Limited	58.8
Foreign & Colonial Investment Trust plc	10.5

	Percentage of issued 2012 ZDP Shares
The Bank of New York (Nominees) Limited (CFMSS)	12.0
Ferlim Nominees Limited (POOLED)	10.4
Nortrust Nominees Limited (GSYA)	8.2
Nortrust Nominees Limited (TDS)	8.0
Puddle Dock Nominees Limited (4100000)	4.5
NW Brown Nominees Limited	3.1
Euroclear Nominees Limited (EOC01)	3.0
Rathbone Nominees Limited	3.0

	Percentage of issued 2014 ZDP Shares
Pershing Nominees Limited (BICLT)	11.8
Ferlim Nominees Limited (POOLED)	8.3
HSBC Global Custody Nominee (UK) Limited (820045)	5.7
Nortrust Nominees Limited (GSYA)	5.6
Nortrust Nominees Limited (TDS)	4.5
NW Brown Nominees Limited	4.1
Transact Nominees Limited (INTEGRA1)	4.0
Chase Nominees Limited (CAZCAP)	3.6
Brooks Macdonald Nominees Limited (NOM)	3.6
Rathbone Nominees Limited	3.3
Giltspur Nominees Limited (BUNS)	3.3

	Percentage of issued 2016 ZDP Shares
Nortrust Nominees Limited (GSYA)	10.1
Harewood Nominees Limited (4059690)	7.7
Smith & Williamson Nominees Limited	7.2
Rathbone Nominees Limited	6.3
Pershing Nominees Limited (BICLT)	4.6
Ferlim Nominees Limited (POOLED)	4.3
Brooks Macdonald Nominees Limited (NOM)	4.3

6.10 Save in respect of General Provincial Life Pension Fund (L) Limited, whose interest is set out in paragraph 6.9, neither Utilico nor Utilico Finance is aware of any persons who directly or indirectly, jointly or severally at the date of this document exercise or could exercise control over Utilico or Utilico Finance or immediately following Admission will exercise or would be able to exercise control over Utilico or Utilico Finance.

6.11 No Shareholders, ZDP Shareholders, or Warrantholders have voting rights attached to their Ordinary Shares, ZDP Shares or Warrants they hold which are different to the voting rights attached to any other Ordinary Shares or Warrants issued by the Group.

7 Bye-laws

7.1 Pursuant to written resolutions passed on 9 May 2007, each of Utilico's and Utilico Finance's principal object is to carry on business as an investment company. The objects of Utilico and Utilico Finance are contained in their respective memoranda of association which are available for inspection at the address specified in paragraph 14 of this Part 9.

7.2 The Utilico Bye-laws contain provisions, *inter alia*, to the following effect:

7.2.1 ***Income***

The Ordinary Shares carry the right to receive the profits of Utilico available for distribution and determined to be distributed by way of dividend at such times as the Directors may determine. Any dividend unclaimed after a period of 12 years from the date such dividend is declared shall be forfeited and shall cease to remain owing by Utilico.

7.2.2 ***Capital***

On a return of assets, on a liquidation or otherwise, the surplus assets of Utilico after payment of all debts and satisfaction of all liabilities of Utilico shall be applied as follows:

7.2.2.1 first, if all of the Winding-Up Revenue Profits (as such term is defined in the Utilico Bye-laws) have not been distributed to holders of Ordinary Shares by way of dividend, an amount equivalent to the amount of Winding-Up Revenue Profits not so distributed shall be paid to the holders of Ordinary Shares *pro rata* to the number of Ordinary Shares then held by them; and

7.2.2.2 second, there shall be paid to the holders of the Ordinary Shares, after the payments to Utilico Finance which Utilico Finance is liable to pay to the holders of the ZDP Shares on their redemption in accordance with the Utilico Finance Bye-laws, the surplus assets of Utilico available for distribution *pro rata* to the number of Ordinary Shares then held by them.

7.2.3 ***Voting***

The holders of the Ordinary Shares shall have the right to receive notice of and to attend and vote at general meetings of Utilico. Each holder of an Ordinary Share being present at a meeting shall upon a show of hands have one vote and, save as described paragraph in 7.2.4.2 below, upon a poll every such holder present in person or by proxy shall have one vote in respect of every Ordinary Share held by him.

7.2.4 ***Voluntary liquidation of Utilico***

7.2.4.1 If all of the relevant ZDP Shares are not redeemed on or before the relevant ZDP Repayment Date (except by reason of administrative error rectified within 7 days and disregarding any ZDP Shares which are not redeemed as a result of a failure by the holder to comply with a requirement relating to redemption imposed in accordance with the Utilico Finance Bye-laws), the Directors shall convene a special general meeting of Utilico to be held within 60 days of the relevant ZDP Repayment Date at which a resolution (the "Liquidation Resolution") shall be proposed requiring that Utilico be wound up voluntarily pursuant to the Bermuda Companies Act. At such meeting the vote of those members entitled to vote shall be taken by poll and the provisions of sub-paragraph 7.2.4.2 below shall apply in relation to such vote.

7.2.4.2 At any such special general meeting, the Ordinary Share issued to Utilico Finance in accordance with the Subscription Agreement and in respect of which Utilico Finance shall vote in favour of the Liquidation Resolution, shall, on the poll taken in respect of the Liquidation Resolution, have such number of votes in respect of the Ordinary Share held by it so that the aggregate number of votes cast in favour of the Liquidation Resolution is four times the aggregate number of votes cast against the Liquidation Resolution and each member present in person or by proxy and entitled to vote and who votes against such resolution shall on a poll have one vote for each share held.

7.2.4.3 If an offer is made to all holders of ZDP Shares (other than the offeror and/or persons controlled by or acting in concert with the offeror) which becomes or is declared unconditional in all respects prior to the final ZDP Repayment Date, which offer entitles holders of all outstanding ZDP Shares to receive not later than the date falling 14 days after the relevant ZDP Repayment Date an amount in cash equal to or not less than that to which the Directors estimate (so far as practicable at that time) that such holders would otherwise have been entitled to receive on a winding-up of Utilico and on the basis that Utilico satisfies its payment obligations under the Subscription Agreement to the extent that it is able after payment of all other prior ranking indebtedness and liabilities, (ignoring any option for alternative consideration pursuant to such offer) and such offer is recommended by the directors of Utilico Finance and it is stated to be, in the opinion of the financial adviser appointed by Utilico and Utilico Finance, fair and reasonable then the provisions of paragraphs 7.2.4.1 and 7.2.4.2 above shall not apply;

7.2.4.4 If at any general meeting of Utilico held on or prior to any ZDP Repayment Date there is proposed any resolution to sanction any form of arrangement (whether involving the winding-up of Utilico, the redemption of the ZDP Shares or otherwise) which would enable the holders of the ZDP Shares to receive not later than the date falling 14 days after the relevant ZDP Repayment Date an amount in cash equal to or not less than that to which the Directors estimate (so far as practicable at that time) that such holders would otherwise have been entitled to receive on a winding-up of Utilico and on the basis that Utilico satisfies its payment obligations under the Subscription Agreement to the extent that it is able after payment of all other prior ranking indebtedness and liabilities, (ignoring any options ZDP Shareholders may be given to elect to receive any entitlement otherwise than in cash pursuant to the arrangement) then the provisions of paragraphs 7.2.4.1 and 7.2.4.2 above shall not apply.

7.3 The New Utilico Finance Bye-laws contain provisions relating to the rights to income, capital, voting and redemption attaching to its issued share capital as are outlined in Part 5.

7.4 The following provisions appear in the Utilico Bye-laws and the Utilico Finance Bye-laws except where otherwise stated and references to "Bye-laws" shall be to the Utilico Bye-laws and the Utilico Finance Bye-laws as the context may require, References to the company in the following paragraphs are to Utilico or Utilico Finance as the context requires.

(a) ***Variation of Rights***

Subject to the Bermuda Companies Act, the special rights attached to any class of shares may be varied or abrogated with the consent in writing of the holders of three-fourths of the issued shares of the class or with the sanction of a resolution passed at a separate meeting of the holders of such shares. The necessary quorum shall be two persons at least holding or representing by proxy one-third in number of the issued shares of the relevant class (but so that if at any adjourned meeting of such holders a quorum as above defined is not present those shareholders who are present shall be a quorum). Every holder of shares shall be entitled at such meeting to one vote for every share held by him on a poll. The special rights conferred upon the shares shall not be deemed to be varied by the exercise of any power under the disclosure provisions requiring shareholders to disclose an interest in the company's shares as set out in the Bye-laws.

(b) ***Offers of shares***

(i) Subject to the provisions of the Bye-laws and without prejudice to any special rights conferred on the holders of any class of shares, any share in the company may be issued with or have attached thereto such preferred, deferred or other special rights, or such restrictions whether in regard to dividend, return of capital, voting or otherwise as the company may from time to time by resolution determine or if there has not been any such determination or so far as the same shall not make specific provision, as the Board may determine.

(ii) Subject to the Bye-laws, the unissued shares shall be at the disposal of the Directors, and they may allot, grant options over, issue warrants in respect of or otherwise dispose of them to such persons, at such times and generally on such terms and conditions as they determine. Whilst there are no provisions of Bermuda law equivalent to the provisions of the UK Companies Act 2006 which confer pre-emption rights on existing shareholders in connection with the allotment of equity securities for cash, pursuant to a resolution passed at the AGM held on 2 December 2010 such rights have been incorporated into the Utilico Bye-Laws only, in accordance with the requirements of the Listing Rules.

(iii) The company may also pay such brokerages and/or commissions as may be lawful.

(iv) No person shall be recognised by the company as holding any shares upon any interest other than an absolute right of the registered holder to the entirety of a share.

(c) ***Notice requiring disclosure of interest in shares***

The Directors may serve notice on any shareholder requiring that shareholder to disclose to the company the identity of any person (other than the shareholder) who has an interest in the shares held by the shareholder. Any such notice shall require any information in response to such notice to be given within such reasonable time as the Directors may determine.

If any shareholder is in default in supplying to the Company the information required by the company within the prescribed period (which is 28 days after service of the notice or 14 days if the shares concerned represent 0.25 per cent. or more of the issued shares), the Directors in their absolute discretion may serve a direction notice on the shareholder. The direction notice may direct that in respect of the shares in respect of which the default has occurred (the "default shares") the shareholder shall not be entitled to vote in general meetings. Where the default shares represent at least 0.25 per cent. of the class of shares concerned the direction notice may additionally direct that dividends on such shares will be retained by the Company (without interest) and that no transfer of the default shares (other than a transfer authorised under the Bye-laws) shall be registered until the default is rectified.

(d) ***Transfer of shares***

Subject as provided below, any shareholder may transfer all or any of his shares by instrument of transfer in any form which the Directors may approve. The instrument of transfer of a share shall be signed by or on behalf of the transferor.

The Directors may refuse to register any transfer of shares unless the instrument of transfer is lodged at the registered office accompanied by the relevant share certificate(s) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer.

The Directors may refuse to register a transfer:

(i) of any share which is not fully paid up or on which the company has a lien provided that this would not prevent dealings from taking place on an open and proper basis;

(ii) where the holding of such shares may result in regulatory, pecuniary, legal, taxation or material administrative disadvantage for the company or the shareholders as a whole; or

(iii) where permission of the Bermuda Monetary Authority to the transfer is required but has not been obtained.

The registration of transfers may be suspended at such times and for such periods as the Directors may from time to time determine provided that such suspension shall not be for more than 30 days in any year.

(e) ***Compulsory transfer of shares***

The Board may require the transfer of shares owned or which appear to be owned directly by any person who, by virtue of his holding, may in the opinion of the Directors give rise to a breach of any applicable law or requirement in any jurisdiction or may cause or be likely to cause the company or shareholders some legal, pecuniary or material disadvantage or cause or be likely to cause the assets of the company to be considered "plan assets" within the meaning of the regulations adopted under the US Employee Retirement Income Security Act of 1974, as amended ("ERISA"), or which holding would or might result in Utilico being required to register or qualify under the Investment Companies Act or other US law. Resolutions will be put at both Utilico and Utilico Finance's annual general meetings to be held on 30 November 2011 to amend their respective Bye-laws so as to extend these provisions so that they would also apply where such holding would give rise to a breach of any applicable law or regulatory requirement in any jurisdiction by the Manager or would or might result in the Manager being required to register or qualify under the US Investment Companies Act of 1940, as amended, or any other applicable US law.

(f) ***Alteration of capital and purchase of shares***

The company may from time to time, subject to the provisions of the Bermuda Companies Act, purchase its own shares in any manner authorised by the Bermuda Companies Act.

The Bermuda Companies Act provides that the company may by resolution consolidate and divide all or any of its share capital into shares of larger amounts than its existing shares; subdivide all or any of its shares into shares of a smaller amount than is fixed by the memorandum of association; cancel any shares which at the date of the resolution have not been taken or agreed to be taken and diminish its authorised share capital accordingly; and convert its fully paid shares into shares denominated in a different currency.

The company may by resolution reduce its share capital, any redemption reserve fund or any stated capital account, including share premium account, in any manner permitted by and with and subject to any consent required by the Bermuda Companies Act.

(g) ***Interests of Directors***

(i) Save as mentioned below, a Director may not vote or be counted in the quorum on any resolution of the Board (or a committee of the Directors) in respect of any matter in which he has (together with any interest of any person connected with him) a material interest (other than by virtue of his interest, directly or indirectly, in shares or debentures or other securities of the company).

(ii) Subject to the Bermuda Companies Act, a Director shall be entitled to vote (and be counted in the quorum) in respect of any resolution concerning any of the following matters:

(A) the giving of any guarantee, security or indemnity in respect of money lent or obligations incurred by him or any other person for the benefit of the company or any of its subsidiaries;

(B) the giving of any guarantee, security or indemnity in respect of a debt or obligation of the company or any of its subsidiaries for which the Director himself has assumed responsibility in whole or in part and whether alone or jointly with others under a guarantee or indemnity or by the giving of security;

(C) a contract, arrangement, transaction or proposal concerning or the offer of shares, debentures or other securities of the company or its subsidiaries in which offer he is or may be entitled to participate or in the underwriting or sub-underwriting of which he is to or may participate;

(D) any proposal concerning any other company in which he is interested, directly or indirectly, as an officer, creditor or shareholder or otherwise, provided that he, together with persons connected with him, is not to his knowledge the holder of or beneficially interested in 1 per cent. or more of any class of the equity share capital of any such company (or of any third company through which his interest is derived) or of the voting rights of such company;

(E) any arrangement for the benefit of employees of the Company or any of its subsidiaries which accords to the Director only such privileges and advantages as are generally accorded to the employees to whom the arrangement relates; or

(F) any proposal for the purchase or maintenance of insurance for the benefit of the Director or persons including the Directors.

(iii) Any Director may act by himself or by his firm in a professional capacity for the company other than as auditor, and he or his firm shall be entitled to remuneration for professional services as if he were not a Director.

(iv) Any Director may continue to be or become a director, managing director, manager or other officer or member of a company in which the company is interested, and any such Director shall not be accountable to the company for any remuneration or other benefits received by him.

(h) ***Remuneration of Directors***

(i) The Directors shall be remunerated quarterly for their services at such rate as the Directors shall determine provided that the aggregate amount of such fees payable to the Directors shall not exceed £200,000 per annum (or such sum as Utilico in general meeting shall from time to time determine). The Directors shall also be entitled to be paid all reasonable expenses properly incurred by them in attending general meetings, board or committee meetings or otherwise in connection with the performance of their duties.

(ii) A Director may hold any other office or place of profit under the Company (other than the office of auditor) in conjunction with his office of Director on such terms as to tenure of office and otherwise as the Directors may determine.

(iii) The Directors may from time to time appoint one or more of their body to the office of managing director or to any other office for such term and at such remuneration and upon such terms as they determine.

(i) ***Retirement of Directors***

(i) Directors shall be subject to retirement by rotation and any Director who retires shall be eligible for re-appointment. One third of the directors will retire at each annual general meeting. Any Director who at an annual general meeting of the company shall have then been a Director at each of the preceding two annual general meetings of the company and did not retire by rotation at either such annual general meeting must retire by rotation.

(ii) A Director shall not be required to hold any qualification shares.

(iii) No person shall be or become incapable of being appointed a Director by reason of having attained the age of 70 or any other age and no Director shall be required to vacate his office at any time by reason of the fact that he has attained the age of 70 or any other age.

(j) ***Dividends and distribution of assets on a winding up***

(i) The Directors may if they think fit from time to time pay the Shareholders such interim dividends as appear to be justified by the profits of Utilico. ZDP Shares carry no rights to receive dividends out of the revenue or any other profits of the Group.

(ii) No dividend or other amount payable to any shareholder shall bear interest against Utilico. All unclaimed dividends and other amounts payable as aforesaid may be invested or otherwise made use of for the benefit of Utilico until claimed. Payment by Utilico of any unclaimed dividend or other amount payable in respect of a share into a separate account shall not constitute Utilico a trustee in respect thereof. Any dividend unclaimed 12 years from the date when it first became payable shall be forfeited automatically, without the necessity for any declaration or other action by Utilico.

(iii) The Directors are also empowered to create reserves before recommending or declaring any dividend. The Directors may also carry forward any profits which they think prudent not to divide.

(iv) If the company should be wound up (whether the liquidation is voluntary, under supervision or by the court) the liquidator may with the authority of a resolution and any other sanction required by Bermuda Companies Act, divide amongst the members *in specie* the whole or any part of the assets of the company and whether or not the assets shall consist of property of one kind or of properties of different kinds, and may for such purposes set such value as he deems fair upon any one or more class or classes or property, and may determine how such division should be carried out as between the members or different classes of members.

(k) ***Borrowing***

(i) The Directors may exercise all and any powers of Utilico to borrow money and to mortgage or charge all or any part of the undertaking, property and assets (present or future) and the uncalled capital of Utilico and, subject to the provisions of the Bermuda Companies Act, to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of Utilico.

(ii) The Board shall restrict the borrowings of Utilico and exercise all voting and other rights or powers of control exercisable by Utilico in relation to its subsidiary undertakings so that (so far as it is able), without the prior sanction of an ordinary resolution of Utilico, no new borrowings are incurred if, as a result, the aggregate principal amount outstanding of all net borrowings by the Group (excluding certain borrowings from one member of the Group to another member of the Group) exceeds an amount equal to 100 per cent. of Utilico's gross assets.

(iii) Any person lending money to Utilico shall be entitled to assume that Utilico is acting in accordance with the Utilico Bye-laws and shall not be concerned to enquire whether such provisions have in fact been complied with.

(iv) Utilico Finance does not have power to incur any borrowings. To the extent that it incurs any operational costs or expenses, these will be funded by Utilico pursuant to the Subscription Agreement, further details of which are set out in paragraph 8.1 of this Part 9.

(l) ***Register of Shareholders***

The register of shareholders is the hard copy register of Shareholders, ZDP Shareholders and Warrantholders kept in Bermuda pursuant to section 65 of the Bermuda Companies Act. A branch copy of the register of shareholders will be kept in Jersey.

The register of Depositary Interests representing the Ordinary Shares, ZDP Shares and Warrants will be kept by the CREST Agent in the United Kingdom.

(m) ***Meetings***

Annual general meetings typically are held on such date and at such place as the Directors may determine. Notices convening each annual general meeting, together with the annual accounts and reports, are sent to Shareholders holding ordinary shares at least 21 clear days before the date fixed for the meeting.

All general meetings other than annual general meetings are called special general meetings and notice for such meetings are sent to Shareholders holding ordinary shares at least 14 clear days before the date fixed for the meeting.

8 Material contracts

Save as described below, the Group has not (i) entered into any material contracts (other than contracts in the ordinary course of business) within the two years immediately preceding the publication of this document; or (ii) entered into any contracts that contain provisions under which the Group has any obligation or entitlement that is material to the Group as at the date of this document.

8.1 *Subscription Agreement*

A subscription agreement dated 14 May 2007, as amended by a amendment agreement dated 2 December 2011, between Utilico and Utilico Finance pursuant to which, in consideration for Utilico Finance agreeing to transfer to Utilico certain assets, Utilico undertook to contribute (by way of gift, capital contribution or otherwise) such funds as will ensure that Utilico Finance will have in aggregate sufficient distributable reserves on each ZDP Repayment Date to satisfy the Final Capital Entitlement of the ZDP Shares then due and any operational costs or expenses incurred by Utilico Finance.

Utilico has undertaken to Utilico Finance for so long as Utilico's obligations under the Subscription Agreement remain outstanding:

(a) that for so long as it is the holder of all the ordinary shares in issue in Utilico Finance, it shall not vote in general meetings to pass a resolution of Utilico Finance on the matters which would require the previous sanction of an extraordinary resolution of the holders of each class of ZDP Shares passed at separate general meetings of such holders in accordance with the Utilico Finance Bye-laws unless such previous sanctions have first been obtained. The relevant matters are summarised in paragraph 1.3(c) of Part 5 of this document;

(b) that it shall not (and that it shall, so far as it is able, procure that none of its subsidiaries shall) enter into any transaction which, if it were a transaction entered into by Utilico Finance, would require the sanction of the ZDP Shareholders under the Utilico Finance Bye-laws or otherwise as required by law without such sanction having been obtained;

(c) that, except with such sanction as aforesaid or as required from time to time by the UK Listing Authority or any other relevant legal or regulatory requirement, it shall ensure that the board of directors of Utilico Finance as constituted from time to time comprises the same individuals who form the Board of Utilico;

(d) that, except with such sanction as aforesaid, it will not make any distribution to the Shareholders in excess of the amount of its net revenues and revenue reserves nor will it make any repayment of capital to the Shareholders or repurchase any of the Ordinary Shares in the event that following such repayment or repurchase the ZDP Cover shall be less than 1.5x;

(e) that it will have due regard to the interests of the ZDP Shareholders;

(f) that if all of the relevant ZDP Shares are not redeemed on or before the relevant ZDP Repayment Date (except by reason of administrative error rectified within 7 days and disregarding any ZDP Shares which are not redeemed as a result of a failure by the holder to comply with a requirement relating to redemption imposed in accordance with the Utilico Finance Bye-laws), Utilico shall convene a special general meeting of Utilico to be held within 60 days of the relevant ZDP Repayment Date at which a resolution shall be proposed requiring that Utilico be wound up voluntarily pursuant to the Bermuda Companies Act;

(g) that it shall not, without the previous sanction of an extraordinary resolution of the holders of each class of ZDP Shares passed at separate general meetings of such holders undertake any of the following matters:

(i) issue any further shares or rights to subscribe for further shares or convert any securities into shares in Utilico or reclassify any issued share capital into shares of a particular class where such shares rank, or would on issue, conversion or reclassification rank, as to capital, in priority to, or *pari passu* with, Utilico's payment obligations under the Subscription Agreement in respect of any class of ZDP Shares unless the Directors shall have calculated and Utilico's financial adviser shall have reported to the Directors on such calculations within 60 days prior to the Calculation Date (as defined below) that, were the further shares to be issued or the shares to be reclassified or rights of subscription or conversion to be issued and immediately exercised at the date of the report, the ZDP Shares in issue immediately thereafter would have a ZDP Cover of not less than 1.5 times. For this purpose, the ZDP Cover shall represent a fraction where the numerator is equal to the gross assets of the Group on the Calculation Date and the denominator is equal to the aggregate on the Calculation Date of (i) the aggregate capital entitlement on the relevant ZDP Repayment Dates of the ZDP Shares in issue on the Calculation Date and (ii) the outstanding amounts payable by the Group under bank facilities and any borrowings ranking in priority to its payment obligations under the Subscription Agreement. Gross assets for this purpose shall mean the unaudited aggregate value of the gross assets of the Group, including assets represented by principal monies borrowed by Utilico, less current liabilities (not including contingent liabilities) of Utilico (other than principal monies borrowed), each as determined by the Directors. The Calculation Date, for the purpose of this paragraph 8.1(g)(i) shall mean the close of business on a date which is not earlier than 60 days prior to (and excluding) the date of the announcement of such issue or reclassification or, if applicable and earlier, the date of any announcement of the intention to make such proposed issue. In calculating such ZDP Cover, the Directors shall where available:

(A) use the gross assets of Utilico at the most recent practicable date before the Calculation Date;

(B) assume that the share capital or rights proposed to be issued or arising on reclassification had been issued and/or exercised and/or reclassified at the end of the month prior to the Calculation Date;

(C) adjust the gross assets of Utilico by adding the minimum net consideration (if any) which would be received upon such issue, reclassification or exercise;

(D) take account of the entitlements to be attached to the new shares or securities or rights to be issued;

(E) aggregate the Final Capital Entitlement of the existing ZDP Shares and the capital entitlements of the new shares or securities or rights to be issued as aforesaid in each case as at the relevant ZDP Repayment Dates;

(F) make appropriate adjustments for any other issues or reclassifications or purchases of own share capital which have been made by Utilico or Utilico Finance since the end of the preceding month or will have been made by or at the time of the proposed issue of shares or rights of subscription or conversion into shares or reclassification; and

(G) make such other adjustments as they consider appropriate.

The Directors shall have absolute discretion to determine whether the conditions set out above are satisfied in any case and no independent valuation need be carried out; or

(ii) pass a resolution to reduce the share capital of Utilico in any manner or to purchase shares in Utilico other than as permitted below;

(iii) pass a resolution for the voluntary winding-up of Utilico, such winding-up to take effect prior to the final ZDP Repayment Date; or

(iv) alter any objects set out in the Memorandum of Association of Utilico; or

(v) pass any resolution which authorises or permits the Directors to pay any dividend or other distribution out of the capital reserves of Utilico (which, for the avoidance of doubt, shall not include a bonus or capitalisation issue of shares) other than as permitted below; or

(vi) change the investment policy of Utilico materially,

provided that no such sanction will be required for the passing of any resolution authorising Utilico to purchase Ordinary Shares which shares may only be purchased at prices at or below their prevailing Net Asset Value on a diluted basis (as determined by the Directors as at a date falling not more than 10 days before the date of the relevant repurchase) and where such repurchases shall not reduce the ZDP Cover below 1.5 times (as determined by the Directors as at a date falling not more than 10 days before the date of the relevant repurchase) and taking into account of any related purchase by Utilico Finance of ZDP Shares which the directors of Utilico Finance determine to make at or about the same time.

8.2 ***Management Agreement***

An investment management agreement dated 27 September 2010 between Utilico, Utilico Finance and the Manager under which Utilico and Utilico Finance have appointed the Manager to provide it with portfolio monitoring, research and other investment management services. The Agreement is subject to termination on 6 months' notice by the Manager and on 12 months' notice by Utilico or Utilico Finance. The Management Agreement may be terminated by any of the parties forthwith in circumstances which are customary for an agreement of this type, including material breach and liquidation. Under the Management Agreement, the Manager is entitled to receive a fee equal to 0.5 per cent. per annum of the Group's Gross Assets after deducting current liabilities (excluding borrowings incurred for investment purposes) payable semi-annually in arrears. For these purposes, assets invested in other investment companies or funds or companies managed or advised by the Manager or its subsidiaries are disregarded. The Manager will also be reimbursed its out-of-pocket expenses, including reasonable travel and related costs. The Manager is also entitled to a performance fee calculated on the basis described in Part 4 of this document under the heading "Performance fee". The Manager has the benefit of an indemnity from Utilico in relation to liabilities that the Manager may incur in the discharge of its duties under the Management Agreement other than those arising by reason of any fraud, wilful default or negligence on the part of the Manager.

8.3 ***Administration Agreement***

The Administration Agreement dated 14 May 2007 between Utilico, Utilico Finance, Ingot Capital Management Pty Limited and the Administrator relating to the provision of administrative services to the Group. Under the agreement Utilico and Utilico Finance have also appointed the Administrator as secretary to the Group. The agreement is terminable on 6 months' notice in writing and on shorter notice in the event of breach of contract or insolvency. The Administrator receives an annual fee of £295,000 (plus applicable VAT). Utilico will reimburse the Administrator in respect of reasonable out of pocket expenses including transaction, banking fees and charges. The Administrator has the benefit of an indemnity from Utilico under the terms of the Administration Agreement in relation to liabilities incurred in the discharge of its duties other than those arising by reason of any breach, fraud, wilful default or negligence. The rights and duties of Ingot Capital Management Pty Limited under the Administration Agreement were transferred to and assumed by ICM pursuant to a novation agreement made between the original parties to the Administration Agreement and ICM dated 16 September 2011.

8.4 ***Custody Agreement***

A custody agreement dated 14 May 2007 between Utilico and the Custodian whereby Utilico has appointed the Custodian to act as custodian of the Group's investments, cash and other assets and to accept responsibility for the safe custody of the property of the Group which is delivered to and accepted by the Custodian or any of its sub-custodians. Each party is able to terminate the Custody Agreement on 60 days' notice in writing. The Custodian has an indemnity from Utilico in relation to liabilities incurred in the performance of its duties other than those incurred as a result of its negligence, fraud or wilful default and a general lien in respect of liabilities owing by the Group. The Custody Agreement provides that the Custodian will be liable for direct losses incurred by the Group that result from any appointed sub-custodian's failure to use reasonable care in the provision of custodial services, fraud or wilful default. The Custodian is not, however, liable for losses arising as a result of a sub-custodian going into liquidation or insolvency except in the case of an affiliated sub-custodian and accordingly the Group may suffer a loss of assets in the event of a liquidation or insolvency of a non-affiliated sub-custodian. The Custodian will receive from Utilico for the provision of such services such fees as may be agreed between the Custodian and Utilico from time to time, plus reasonable out-of-pocket and incidental expenses (including, but not limited to, legal fees and tax or related fees incidental to processing by governmental authorities, issuers, or their agents).

8.5 ***Facility Agreement with ScotiaBank Europe PLC***

A £30 million secured multi-currency revolving loan facility made between Utilico and Scotiabank Europe plc ("Scotiabank") dated 22 March 2011. The base currency of the facility is sterling, although individual loans may be drawn down in any currency acceptable to Scotiabank, including US Dollars, Euros, New Zealand Dollars and Australian Dollars. The final repayment date for the loan is 22 March 2013.

Utilico may not make further drawdowns where its debt to asset ratio is above 25 per cent. (or, if Utilico's Gross Assets are below £200 million, above 15 per cent.) (the "Debt/Asset Limit"). The debt to asset ratio is adjusted to exclude certain assets, including the value of investments in any single issuer in excess of 15 per cent. of Gross Assets.

The facility bears interest at an annual rate equal to the aggregate of: (i) LIBOR for the currency and interest period of the relevant advance; (ii) 1.45 per cent.; and (iii) an amount to reflect the mandatory costs of Scotiabank in providing the facility. The LIBOR element of the interest rate can be amended by Scotiabank in the event of severe market disruption.

Scotiabank has a floating charge over the assets of Utilico and has been assigned Utilico's rights under certain material contracts, by way of security in respect of amounts owing under the facility. This security has been established by debentures under English and Bermuda law dated 22 March 2011.

If ICM ceases to be the investment manager of Utilico without the prior written consent of Scotiabank it will constitute an event of default. Other events of default include any breach of the Debt/Asset Limit by the Group as a whole.

The facility agreement contains further representations, warranties, undertakings, events of default and indemnities which are customary for facility agreements of this nature.

8.6 ***Transfer Agreement***

Further to a circular issued on 6 December 2010 ("the Circular") relating to the transfer to Utilico of the entire portfolio of assets held by Eclectic Investment Company plc ("Eclectic"), a transfer agreement was entered into pursuant to which certain assets of Eclectic were transferred to Utilico in consideration for the issue of Ordinary Shares (the "Utilico Option") to those shareholders of Eclectic who elected to participate.

8.7 ***Sale and Purchase Agreement***

In order to provide for a cash payment to be made to those Eclectic shareholders who did not want to participate in the Utilico Option in respect of their shareholding, Utilico entered into a sale and purchase agreement, pursuant to which certain non-cash assets of Eclectic were transferred to Utilico in consideration for a cash payment by Utilico of an amount equal to the aggregate value of the assets.

8.8 ***General Principal Life Pension Fund Limited Subscription Agreement***

An agreement between Utilico and GPLPF dated 6 December 2010 pursuant to which GPLPF agreed to subscribe for 7,430,643 new Ordinary Shares, the consideration for such subscription being satisfied by the transfer to Utilico by GPLPF of 19,965,369 shares in the capital of Resolute Mining Limited. Pursuant to the agreement, GPLPF gave certain standard warranties to Utilico. The new Ordinary Shares issued by Utilico rank *pari passu* with all other Ordinary Shares in issue as at the date of their allotment.

8.9 ***Westhouse Securities Limited Engagement Letter***

The engagement letter dated 28 July 2011 between Utilico and Westhouse Securities Limited pursuant to which Westhouse Securities Limited will provide financial advice to Utilico in connection with the Proposals.

8.10 ***Depositary and Custody Services Agreement***

A depositary and custody services agreement dated 11 May 2007 between Utilico and the Depositary pursuant to which Computershare Investor Services PLC has agreed to act as CREST Agent and UK transfer agent to Utilico. Under the agreement, the Depositary is entitled to a set up fee and ongoing annual fees. The agreement is terminable by either party on 6 months' notice.

8.11 ***BCB Custody Agreement***

A custody agreement dated 30 May 2010 between Utilico and Bermuda Commercial Bank Limited ("BCB") pursuant to which BCB shall act as Utilico's custodian in respect of such cash and investments as Utilico shall from time to time deposit with BCB. The fees payable to BCB depend on the nature and quantity of the assets deposited with BCB and there is no minimum fee. There is no obligation on Utilico to deposit any assets with BCB. The agreement can be terminated on 3 months' notice by either party.

8.12 ***Placing Agreement***

The Placing Agreement dated 2 December 2011 between Utilico, Utilico Finance, the Manager and Westhouse Securities Limited whereby Westhouse Securities Limited has agreed, as agent for Utilico Finance to use its reasonable endeavours to procure subscribers for the Placing Shares under the Placing. For its services in connection with the Rollover Offer and the Placing, Westhouse Securities Limited will be entitled to a corporate finance fee of £135,000, a commission of 0.5 per cent. of the aggregate value of the 2018 ZDP Shares taken up under the Rollover Offer and a commission of 1 per cent. of the gross proceeds of the Placing. Under the agreement, which may be terminated by Westhouse Securities Limited in certain limited circumstances prior to Admission, Utilico, Utilico Finance and the Manager have agreed to certain market standard warranties and indemnities in favour of Westhouse Securities Limited concerning, *inter alia*, the accuracy of the information in this document.

9 Investment Restrictions

Utilico has adopted the following investment and other restrictions:

9.1 Utilico will at all times, invest and manage its assets in a way which is consistent with its object of spreading investment risk and in accordance with its published investment policy;

9.2 Utilico will not conduct any trading activity which is significant in the context of the Group as a whole; and

9.3 not more than 10 per cent. in aggregate of the value of the total assets of Utilico at the time the investment is made will be invested in other closed-ended investment funds which are listed on the Official List (except to the extent that those investment funds have stated investment policies to invest no more than 15 per cent. of their total assets in other investment companies which are listed on the Official List).

10 Litigation

There have been no governmental, legal or arbitration proceedings (and no such proceedings are pending or threatened of which Utilico or Utilico Finance is aware) in the previous 12 months which may have, or have had in the recent past, significant effects on any member of the Group's financial position or profitability.

11 Significant change

Save for the rise in the unaudited value of the Group's net assets from £201.5 million (audited) as at 30 June 2011 to £242.1 million (unaudited) as at 29 November 2011 (being the latest practicable date prior to the publication of this document) and a corresponding rise in the NAV per Ordinary Share from 201.63p per Ordinary Share (audited) to 242.26p per Ordinary Share (unaudited) over the same period, there has been no significant change in the financial or trading position of the Group since 30 June 2011, being the date to which the latest audited annual results of the Group were published.

12 Related party transactions

Save as disclosed in note 29 on page 61 of the published annual report and audited accounts for the Group for the financial year ended 30 June 2011, which has been incorporated into this document by reference, the Group was not a party to, nor had any interest in, any related party transaction (as defined in the Standards adopted according to the Regulation (EC) No 1606/2002) at any time during the three financial years to 30 June 2009, 2010 and 2011 or during the period from 1 July 2011 to 30 November 2011 (being the latest practicable date prior to the publication of this document) other than Utilico being a party to the Management Agreement (described in paragraph 8.2 of this Part 9), the GPLPF Subscription Agreement described in paragraph 8.8 of this Part 9, the Transfer Agreement and the Sale and Purchase Agreement described in paragraphs 8.6 and 8.7 of this Part 9 respectively.

13 Miscellaneous

13.1 Utilico currently has 3 employees: Charles Jillings, James Smith and Mark Lebbell. Save as disclosed in this paragraph no member of the Group has any employees.

13.2 No member of the Group owns or leases any land or buildings.

13.3 No application is being made for any ZDP Shares to be listed, or dealt in, on any stock exchange or investment exchange other than the main market for listed securities of the London Stock Exchange.

13.4 Utilico has one subsidiary, Utilico Finance which is a wholly owned subsidiary and is incorporated in Bermuda. Utilico also holds shares linked to a segregated account in GERP. This account which is structured as the Bermuda law equivalent of a protected cell, exists for the sole purpose of carrying out derivative transactions on behalf of the Company. In accordance with the IASB's interpretation in SIC-12, the segregated account in GERP is classified as a special purpose entity of the Company and its financial results are included within the accounts of the Company, which have been incorporated by reference into this document. See note Part 6B of this document for further details.

13.5 The Manager was incorporated in Bermuda on 18 June 2010 as an exempted company incorporated with limited liability with registered number 44350. The registered office of the Manager is 19 Par-la-Ville Road, Hamilton HM11, Bermuda (a representative of the Manager can be contacted on telephone number +44 (0) 1372 271486).

13.6 The auditors to Utilico and Utilico Finance for the three financial periods ended 30 June 2009, 2010 and 2011 were Grant Thornton UK LLP of 30 Finsbury Square, London EC2P 2YU.

13.7 Westhouse Securities has given and not withdrawn its written consent to the issue of this document and references to its name in the form and context in which such references appear.

14 Documents available for inspection

Copies of the following documents will be available for inspection at the registered office of Utilico at Canon's Court, 22 Victoria Street, Hamilton HM 12 Bermuda and at the offices of Norton Rose LLP, 3 More London Riverside, London SE1 2AQ during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the date of this document up to and including the date of Admission:

14.1.1 the Utilico Bye-laws and the New Utilico Finance Bye-laws;

14.1.2 the material contracts referred to in paragraph 8 above of this Part 9;

14.1.3 the letters of appointment of the Directors referred to in paragraph 6.3 of Part 9 of this document under the heading "Corporate Governance";

14.1.4 the written consent referred to paragraph 13.7 above of this Part 9; and

14.1.5 this document.

15 Availability of Prospectus

A copy of this document has been submitted to the National Storage Mechanism and is available for inspection at: www.hemscott.com/nsm.do.

2 December 2011

ANNEX

INFORMATION ON RESOLUTE MINING LIMITED

Section A – General Information

1 Responsibility

The information in this Annex has been sourced from publicly available information published by Resolute Mining Limited ("Resolute") on its website www.resolute-ltd.com.au and announcements made by Resolute to the Australian Securities Exchange. No information on that website is incorporated by reference into this document. Utilico Finance confirms that this information has been accurately reproduced and, as far as Utilico Finance is aware and is able to ascertain from information published by Resolute, no facts have been omitted which would render the reproduced information inaccurate or misleading.

2 Statutory auditors

Ernst & Young have been Resolute's auditors for the period covered by the historical financial information contained in Part B of this Annex. Ernst & Young's address is The Ernst & Young Building, 11 Mount Bay Road, Perth, WA 6000, Australia.

3 Selected financial information

Selected historical audited financial information for Resolute's last three financial years is included in the operating and financial review in paragraph 7 below.

4 Risk factors

Risk factors relating to Resolute are set out in Section D of this Annex.

5 Background Information

5.1 Resolute Mining Limited is a company limited by shares that was incorporated on 8 June 2001 in Australia under the Corporations Act 2001 (the "Law"). It is domiciled in Australia and its registered office is at 4th Floor, the BGC Centre, 28 The Esplanade, Perth, Western Australia 6000, Australia (Tel: + 61 8 9261 6100). It is registered with Australian Business Number ABN 39 097 088 689.

5.2 Resolute is the ultimate holding company of its group. The entities over which Resolute exercises control are outlined at Note 29 to Resolute's 2011 Financial Report (the "2011 Report") on page 164 of this document. The material entities in which Resolute holds an interest are outlined at Note 27 to the 2011 Report on page 161 of this document. Resolute's percentage holding in each such entity is set out in the relevant note.

5.3 For the period covered by the historical financial information, the principal activities of Resolute and its subsidiary entities have been: (i) gold mining; and (ii) prospecting and mineral exploration. Resolute's revenues are derived primarily from the sale of gold.

6 Summary of operations and material assets

6.1 The principal geographic areas in which Resolute is active are Australia (the Ravenswood gold mine), Mali (the Syama Gold Project) and Tanzania (the Golden Pride gold mine). The total gold production (in ounces of gold) for each of these areas for the period covered by the historical financial information is as follows:

Year to 30 June			
	2011	*2010*	*2009*
Syama	85,362	77,975	24,762
Ravenswood	122,576	125,652	151,913
Golden Pride	122,921	148,675	127,047

6.2 In April 2006 Resolute announced its intention to proceed with the development of the Syama Gold Project, and production began in the 2008/2009 financial year. The Syama Gold Project is located in the south of Mali, West Africa, approximately 30kms from the Côte d'Ivoire border and 300km south-east of the capital, Bamako. Resolute has an 80 per cent. interest in the project through its equity interest in Sociêtê des Mines de Syama S.A. ("SOMISY"). The Malian Government holds the remaining 20 per cent. interest in SOMISY.

6.3 The Ravenswood gold mine, which Resolute assumed control of on 1 March 2004, is located approximately 95km south-west of Townsville and 65km east of Charters Towers in north-east Queensland, Australia. Resolute has a 100 per cent. interest in the mine through its subsidiary Carpentaria Gold Pty Ltd.

6.4 The Golden Pride mine was opened on 7 February 1999, and is located in Tanzania, East Africa, 750km north-west of the port of Dar es Salaam and 200km south of Lake Victoria. Resolute has a 100 per cent. interest in the project through its Tanzanian subsidiary, Resolute (Tanzania) Limited. This mine is forecast to close in the first half of the 2013 financial year.

7 Operating and financial review

Unless otherwise specified, all references in this Annex to "dollars" or "$" are to Australian dollars.

Results

7.1 During the year to 30 June 2011: (i) revenues from operations increased by 30 per cent. to $445.055m (2010: $342.484m); (ii) the net profit after tax was $42.930m (2010: $56.571m loss); (iii) the average cash price received per ounce of gold sold during the year was $1,337/oz (2010: $1,070/oz); (iv) net operating cash inflows during the year were $58.640m (2010: $31.791m) (this does not include the $14.465m of bullion on hand at 30 June 2011); (v) net investing cash outflows were $34.242m (2010: $54.001m) related mainly to expenditure on property, plant and equipment and development; and (vi) there were net financing outflows of $31.805m (2010: $27.273m inflow) including $46.948m of loan repayments.

7.2 During the year to 30 June 2009: (i) revenues from operations increased by 28 per cent. to $301.3m; (ii) profit before unrealised treasury and tax was $28.1m (this result includes $11.5m of exploration costs charged directly to the income statement as a result of changes in the accounting policy for exploration expenditure, $16.5m of non-cash impairment charges and a $10.0m profit on the sale of a royalty stream); and (iii) profit after tax was $30.7m including unrealized treasury gains of $1.1m.

Production

7.3 During the year to 30 June 2011: (i) group gold production was 330,859oz (2010: 352,302oz) at an average cash cost of $908/oz (2010: $741/oz); (ii) Golden Pride gold mine produced 122,921 oz (2010: 148,675 oz) at a cash cost of $713/oz (or US$708/oz) (2010: $583/oz or US$514/oz); (iii) Ravenswood gold mine produced 122,576 oz (2010: 125,652 oz) at a cash cost of $893/oz (2010: $804/oz); and (iv) Syama gold mine produced a total of 85,362 oz (2010: 77,975 oz) at a cash cost of $1,209/oz (or US$1,197/oz) (2010: $1,114/oz or US$1,001).

7.4 During the year to 30 June 2009: (i) group gold production for the year was 303,722 oz at an average cash cost of $714/oz; (ii) Golden Pride gold mine produced 127,047oz at a cash cost of $656/oz; (iii) Ravenswood gold mine produced 151,913oz at a cash cost of $763/oz; and (iv) Syama gold mine, although still in ramp-up phase at 30 June 2009, produced 24,762oz and shipped and sold 10,957oz during the year.

7.5 On 29 November 2011, Resolute announced that the Syama mine had produced 25,958oz in the first quarter of the new financial year at a cash cost of $794/oz.

Capital Resources

7.6 Resolute group cash and bullion at 30 June 2011 was $25.678m. Fund raising activities during the 2010/11 financial year, through a combination of a fully underwritten institutional placement and exercise of existing options, provided gross proceeds of $41.826m. Resolute's gold hedging program was closed out in October 2010. Funding for the gold purchases to achieve this comprised approximately $30.368m from equity raising and $47.991m of credit from the hedging counterparties, Barclays Bank PLC ("Barclays") and Investec Bank (Australia) Limited ("Investec"). As at 30 June 2011, $18.910m (inclusive of interest) of repayments remained in respect of the credit provided.

7.7 At 30 June 2011, the face value of Resolute's total borrowings was $125.960m. The borrowing amounts stated here differ to those shown on the balance sheet as these amounts exclude sunk-cost establishment fees and apportionments between debt and equity as required by applicable accounting standards.

7.8 Resolute has senior credit facilities in place with both Barclays and Investec which have been recently amended to provide Resolute with more financial flexibility going forward. The revised amortisation profile sees the facility limit reduce to US$25.000m at 31 December 2011, US$12.500m at 30 June 2012 and nil by 10 December 2012. Repayments of borrowings during the financial year to 30 June 2011 totalled $46.948m, including a voluntary principal repayment of US$10m to Barclays/Investec on 30 June 2011. Following the repayment and as a result of the amendment to the debt repayment schedule, Resolute has up to US$10m of unused credit on this cash advance facility, which can be utilised if necessary in line with the above limits.

Dividends

7.9 The directors of Resolute may from time to time determine dividends to be distributed to shareholders according to their rights and interests. No dividend has been declared or paid during the period for which historical financial information has been provided.

Outlook

7.10 The outlook for Resolute in relation to production, development and exploration is set out in the Directors' Report contained within the 2011 Report on page 100 of this document.

Reserves and Resources Statement

7.11 Resolute's latest reserves and resources statement, showing Resolute's proved and provable reserves at 30 June 2011, is contained in Section C of this Annex.

7.12 The publicly available information published by Resolute on its website and in announcements made by Resolute to the ASX, does not contain sufficient detail to enable Utilico Finance to disclose in this document all the information required by the guidelines issued by the European Securities and Markets Authority ("ESMA"), specifically in relation to the anticipated mine life of Resolute's operations in Tanzania and the duration and main terms of any licences or concessions held by Resolute.

8 Investment

The principal development investments disclosed in the 2011 Report are set out below. Resolute has forecast capital expenditure of $200m over the next two years, which will be fully funded from its operating surplus.

Mali

High Voltage Grid Interconnection to Syama

With the inclusion of client expenses, the supply and installation of the 72km grid connection from Sikasso to the Syama gold mine is estimated to cost US$42.2m.

This interconnection will replace onsite diesel generation of power and significantly lower cash costs, estimated at between $75-100 per ounce of gold produced. Operating cost savings, using conservative tariff assumptions, indicate a pay back of the required capital in less than 30 months.

The project is estimated to take 14 months to complete from commitment and is expected to be operational by mid 2012. The Memorandum of Understanding documents have been submitted to the required government authorities and Terms of Reference documents relating to Engineering Works and the Environmental and Social Impact Studies are due to be submitted.

Syama Expansion Study

On the basis of scoping study outcomes, in July 2011 Resolute announced the doubling of the open pit reserves over the stated life of mine reserves as at 30 June 2010 (1.44Moz) to 2.94Moz with a revised mine life of 13 years. This expansion will see the Syama pit deepen by a further 110m.

Resolute has recently awarded project management of the Syama Expansion Project Feasibility Study to consultants GR Engineering Services ("GRES"). In addition to managing sub-contractors, GRES will be responsible for completion of engineering design aspects of a separate oxide processing facility and aspects of the mine infrastructure related to expansion of the Syama open pit. Knight Piesold has been awarded the design, engineering and evaluation work for the tailings storage facility. The Study includes geotechnical assessment for the expanded open pit, hydrological investigation and environment and community aspects. This study is due for completion in early 2012.

Satellite deposit resource evaluation

Resource development work on the various satellite deposits adjacent to the Syama operation continued through the 2010/2011 financial year. The drilling contractor has planned for a diamond rig to be mobilised to site for resource and geotechnical programmes during the first quarter of 2012.

Finkolo – Etruscan Resources Joint Venture

Resolute holds a 60 per cent. interest in the Finkolo joint venture vehicle. A mining exploitation permit application covering the Finkolo joint venture's Tabakoroni Mine was submitted to the Malian government on 2 July 2010. Activity at the project has moved to a resource generative phase while government approval is awaited. All funding for the project is now a shared cost in accordance with the Finkolo JV agreement with Etruscan.

Australia

Sarsfield Expansion Study

A re-evaluation of the Sarsfield deposit via an internal scoping study in late 2010 highlighted the viability for the expansion of the existing open pit that ceased operation in 2009. Following optimisation and scheduling work, a preferred mine design was presented in January 2011 that highlighted a new reserve estimate for Sarsfield, comprising proven and probable reserves of 38 million tonnes @ 0.8g/t Au and for 1.03 million oz. Based on a 10 year operation, average production is estimated at 140,000 oz per annum at an estimated overall cash cost of $860/ounce.

The study identified a number of areas of infrastructure that may require modification, relocation or upgrading to allow for the expanded pit. Preliminary capital costs were estimated at $72 million. Following the completion of the Definitive Feasibility Study in Q1 2012 and permit approvals targeted for Q3 2012, construction is estimated to commence in Q1 2013.

Mount Wright

Resource consultants Hellman & Schofield were engaged to complete an updated resource block model for the Mount Wright Underground ore body incorporating recently completed underground drilling. During the underground diamond drilling programme, additional mineralisation was identified within and adjacent to the rhyolite breccia. Initial open spaced drilling in these target areas was very promising and further drilling is being completed to confirm the ore body geometry and grade tenor for mine planning purposes.

Underground diamond drilling is planned to continue into the first quarter of 2012 to ensure the additional mineralisation is evaluated prior to completion of an updated resource model and an assessment of mining expansion alternatives.

Welcome Breccia

A scoping study has been carried out at the Welcome Breccia deposit to assess mining opportunities following recent successful exploration drilling results. In the report, an initial deepening of the existing open cut and then establishment of a portal and decline to access the higher grade underground mineralisation was proposed. An increase in the resource base was recommended in order to improve project economics. Resolute has now moved to a resource extension phase with exploratory geophysics and drilling programmes aimed at expanding the resource.

Tanzania

Far East

The Far East deposit lies a short distance along strike to the east of the Golden Pride open pit. Recent infill drilling was included in an updated resource model covering the deposit area. Optimisation and mine design work outlined a viable open pit with ore to be processed in the nearby Golden Pride process plant. Mining personnel at the Golden Pride mine are in the process of securing formal approvals for the project which includes an Environmental Impact Statement submitted to the National Environment Management Council.

Nyakafuru Project

Resolute has recently commenced a scoping study evaluation of the Nyakafuru project aimed at extracting increased value from the 1.1Moz resource base. Previous studies have indicated processing opportunities using heap leach and CIL methods. Resolute has appointed consultants to independently evaluate mining and processing alternatives using updated costs and consensus gold prices. Resolute also intends to complete an aggressive resource and exploratory drilling programme designed to expand the resource base available for development.

Exploration budget

Resolute has approved a 100 per cent. increase in the exploration budget for the 2011/12 financial year to US$20.5m.

9 Property, plant and equipment

9.1 The material property, plant and equipment owned by Resolute is disclosed in Note 13 to the 2011 Report on page 151 of this document. Security granted by Resolute, including mortgages over land and other assets, are disclosed in Note 17 to the 2011 Report on page 153 of this document.

9.2 Resolute and its subsidiaries hold licences and abide by laws and regulations issued by the relevant mining and environmental protection authorities of the various countries in which the Resolute group operates. These licences, laws and regulations specify limits and regulate the management of discharges to the air, surface waters and ground waters associated with the mining operations as well as the storage and use of hazardous materials. Based on the publicly available information published by Resolute, there have been no significant known breaches of the Resolute group's licence conditions or of the relevant laws and regulations.

10 Administration and management

10.1 Details of the names, functions and dates of appointment of Resolute's directors are set out below. Each director can be contacted at Resolute's registered office address.

Peter Ernest Huston (Non-executive Chairman) was appointed as a director in June 2001.

Peter Ross Sullivan (Chief Executive Officer) was appointed as a director in June 2001.

Thomas Cummings Ford (Non-executive director) was appointed as a director in June 2001.

Henry Thomas Stuart Price (Non-executive director) was appointed as a director in November 2003.

10.2 Based on the publicly available information published by Resolute, there are no actual or potential conflicts of interest between the duties of Resolute's directors owed to Resolute and any of their private interests or other duties.

10.3 Details of the remuneration structure and the amount of remuneration and benefits in kind, including superannuation contributions, paid to each director for the financial year to 30 June 2011 are contained in the 2011 Report at pages 101 to 109 of this document.

10.4 Details of the interests of Resolute's directors in shares, options and convertible notes of Resolute and related bodies corporate are contained in the 2011 Report at page 98 of this document.

10.5 Details of Mr. Peter Sullivan's employment contract are contained in the 2011 Report at page 108 of this document. Resolute may terminate Mr. Sullivan's contract on 12 months' notice or provide payment in lieu of the notice period based on the fixed element of his remuneration. Mr. Sullivan may terminate the contract on 6 months' notice.

10.6 Information concerning the operation and composition of Resolute's Audit Committee is contained in the 2011 Report on page 113 of this document at paragraph 7. Information concerning the operation and composition of Resolute's Remuneration and Nomination Committee is contained in the 2011 Report on page 112 of this document at paragraph 3.

10.7 Resolute has adopted the "Corporate Governance Principles and Recommendations" established by the Australian Stock Exchange ("ASX") Corporate Governance Council and published by the ASX in August 2007. A description of Resolute's main corporate governance practices is set out in the 2011 Report on pages 111 to 114 of this document.

11 Major Shareholders

Details of the shareholdings of Resolute's twenty largest shareholders as at 30 September 2011 are contained in the 2011 Report at page 197 of this document. Such shareholders are not entitled by reason of their shareholding to voting rights which differ from other shareholders of Resolute. Resolute, to the knowledge of its directors, is not indirectly or directly owned or controlled. On 31 October 2011, Resolute announced that it had been notified by Alliance Life Common Fund Limited that as at 26 October 2011 it was interested in 74,911,370 ordinary shares (representing 16.0 per cent. of the issued ordinary share capital of Resolute).

12 Related Party Transactions

12.1 In the year to 30 June 2011 Resolute's directors received the following shares in lieu of interest payable on convertible notes held by them:

Director	*Fully Paid Ordinary Shares*
P. Sullivan	4,838
T. Ford	4,838
H. Price	2,419

12.2 In the year to 30 June 2010 Resolute's directors received the following shares in lieu of interest payable on convertible notes held by them:

Director	*Fully Paid Ordinary Shares*
P. Sullivan	12,269
T. Ford	12,269
H. Price	6,134

12.3 In the year to 30 June 2009 Resolute's directors received the following shares in lieu of interest payable on convertible notes held by them:

Director	*Fully Paid Ordinary Shares*
P. Sullivan	10,608
T. Ford	10,608
H. Price	5,304

12.4 In the year to 30 June 2009 management fees of $900,000 were paid to a wholly owned controlled entity by Resolute, and management fees and technical services of $66,000 were paid to a wholly owned controlled entity by Resolute Amansie Limited. Also in that year, $437,709 of interest free loans were receivable by Resolute from controlled entities and $53,530 of interest free loans were payable by Resolute to controlled entities.

13 Share Capital

13.1 As of 1 July 1998, Australian corporate legislation abolished the concepts of authorised capital and par value shares. Accordingly Resolute does not have authorised capital nor par value in respect of its issued capital.

13.2 Details of changes to Resolute's issued share capital during the year to 30 June 2011 and the year to 30 June 2010 are contained in the 2011 Report at pages 119 and 120 of this document and at Note 21 to the 2011 Report at page 157 of this document. Details of changes to Resolute's issued share capital during the year to 30 June 2009 are contained in the 2010 Report at pages 202 and 203 of this document and at Note 21 to the 2010 Report at page 232 of this document.

Convertible notes in issue may be converted at the election of the relevant noteholder at any time from the date of their issue until 31 December 2011, on the basis of each convertible note converting into one ordinary share. On 21 November 2011, Resolute announced its intention to exercise its right of early redemption of the convertible notes on 31 December 2011.

13.3 Subsequent to 30 June 2011, Resolute issued ordinary shares pursuant to the exercise of listed and unlisted options. As at 23 November 2011, Resolute had in issue 475,163,489 ordinary shares, 136,862,475 convertible notes, 43,940,850 listed options and 8,922,999 unlisted options. Further details on the listed and unlisted options are contained in the 2011 Report at page 109 of this document. Such options are held by various parties pursuant to: (a) an offer of up to 47,727,300 convertible notes which attached one listed option for every three convertible notes subscribed for further to a prospectus dated 8 September 2009; (b) the operation of the Resolute Mining Limited Employee Share Option Plan (details of which are included at Note 31 to the 2011 Report on pages 165 and 166 of this document); and (c) the issue in the 2009/2010 financial year of options to debt providers as outlined in paragraph (c) of Note 28 to the 2011 Report at page 163 of this document.

13.4 On 29 September 2011, Resolute announced an on-market share buy back programme for up to 46.86 million ordinary shares (representing up to 10 per cent. of its issued share capital), which will run until 30 September 2012.

14 Constitution

As an Australian company, Resolute is governed by its constitution ("the Constitution"), which does not contain an objects or purpose clause.

14.1 *Voting*

To decide for the purposes of a particular meeting, who are members of Resolute and how many shares they hold, reference must be made to: (a) if the convenor of the meeting determined a specified time for such determination before notice of the meeting was given, the register of members as it stood at that time; or (b) otherwise, the register of members as it stood 48 hours before the meeting or at any later time required by the Securities Clearing House Business Rules (the "SCH Rules").

On a show of hands: (i) if a member has appointed two proxies, neither of those proxies may vote; and (ii) subject to (i) every individual present who is a member, or a proxy, attorney or representative of a member, entitled to vote has one vote. On a poll every member entitled to vote who is present in person or by proxy, attorney or representative has one vote for every fully paid share held.

14.2 *Variation of Rights*

Resolute has one class of share in issue. If Resolute issues different classes of shares, or divides issued shares into different classes, the rights attached to shares in any class may be varied or cancelled only:

(a) with the written consent of the holders of 75 per cent. of the issued shares of the affected class; or (b) by special resolution passed at a separate meeting of the holders of the issued shares of the affected class. Subject to the terms of issue of shares, the rights attached to a class of shares are not treated as varied by the issue of further shares of that class.

14.3 ***Offers of shares***

Resolute may issue preference shares, including redeemable preference shares. The rights attaching to preference shares will be, unless other rights have been approved by a special resolution, the rights set out in or determined in accordance with the schedule to the Constitution. Subject to the above, Resolute may issue any other shares to any person on the terms, with the rights, and at such times as its board decides.

14.4 ***Alteration of capital***

Resolute may capitalise profits, reserves or other amounts available for distribution to members. Subject to the terms of issue of shares, members are entitled to participate in a capital distribution in the same proportions in which they are entitled to participate in dividends.

Subject to Part 2H.1 of the Law, the listing rules of the Australian Stock Exchange (the "Listing Rules") and paragraph 14.2 above, Resolute may convert: (a) shares into a larger or smaller number of shares; (b) an ordinary share into a preference share; and (c) a preference share into an ordinary share, in each case by resolution passed at a meeting of members. Resolute's board may do anything it thinks appropriate and necessary to give effect to a resolution converting shares including, if a member becomes notionally entitled to a fraction of a share as a result of the conversion: (a) make a cash payment or disregard fractional entitlements so as to adjust the rights of members between themselves; or (b) vest fractional entitlements in a trustee to be dealt with as determined by Resolute's board; or (c) round up fractional entitlements to the nearest whole share by capitalising an amount even though not all members participate in the capitalisation.

14.5 ***Reduction of capital***

Subject to the Listing Rules, Resolute may reduce its share capital: (a) by a reduction of capital in accordance with Division 1 of Part 2J.1 of the Law; (b) by buying back shares in accordance with Division 2 of Part 2J.1 of the Law; (c) in the ways permitted by sections 258E and 258F of the Law; or (d) in any other way for the time being permitted by the Law.

14.6 ***Interests of Directors***

Each director of Resolute must comply with section 191 of the Law and any relevant general law principles in relation to disclosure of directors' interests. Furthermore, each director must comply with section 195 of the Law in relation to being present, and voting, at a Board meeting that considers a matter in which that director has a material personal interest. Subject to section 195 of the Law: (a) a director may be counted in a quorum at a board meeting that considers, and may vote on, any matter in which that director has an interest; (b) Resolute may proceed with any transaction that relates to the interest and the director may participate in the execution of any relevant document by or on behalf of Resolute; (c) that Director may retain benefits under the transaction even though he/she has the interest; and (d) Resolute cannot avoid the transaction merely because of the existence of the interest.

If the interest is required to be disclosed by law, (c) above applies only if it is disclosed before the transaction is entered into.

14.7 ***Remuneration of Directors***

Executive Directors

Subject to any contract with Resolute and to the Listing Rules, the board may fix the remuneration of each executive director. That remuneration may consist of salary, bonuses or any other elements but must not be a commission on or percentage of profits or operating revenue.

Non-Executive Directors

Non-executive directors are entitled to be paid, out of the funds of Resolute, an amount of remuneration which:

(a) does not:

(i) in any year exceed in aggregate the amount last fixed by ordinary resolution; or

(ii) consist of a commission on or percentage of profits or operating revenue; and

(b) is allocated among them:

(i) on an equal basis having regard to the proportion of the relevant year for which each director held office; or

(ii) as otherwise decided by the board of directors; and

(c) is provided in the manner the board of directors decides, which may include provision of non-cash benefits.

If the board of directors decides to include non-cash benefits in a director's remuneration, the board of directors must also decide the manner in which the value of those benefits is to be calculated.

14.8 ***Retirement of Directors***

The board of Resolute may appoint a person to be a director at any time except during a general meeting. Any director so appointed automatically retires at the next annual general meeting and is eligible for re-election by that general meeting and is not taken into account in deciding the rotation for retirement of directors or the number of them to retire under the rules as described below.

At each annual general meeting of Resolute:

(a) one third (or if that is not a whole number, the whole number nearest to one third) of the directors who are not:

(i) appointed during the year by the board and required to retire, as described above;

(ii) directors who vacate office under section 201C of the Law;

(iii) Resolute's managing director; or

(iv) directors only because they are alternates; and

(b) any Director who would, if that Director remained in office until the next annual general meeting, have held that office for more than 3 years,

must retire from office and are eligible for re-election.

14.9 ***Meetings***

The Company must hold an annual general meeting as required by section 250N of the Law.

A meeting of members: (a) may be convened at any time by the board of directors or by a director individually; and (b) must be convened by the board of directors when required by section 249D or 250N of the Law or by order made under section 249G of the Law.

At least 28 days' written notice of a meeting of members must be given individually to: (a) each member (whether or not the member is entitled to vote at the meeting); (b) each director; and (c) to Resolute's auditor.

15 Legal and arbitration proceedings

Details of any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened) during the 2010/2011 financial year are included at Note 32 to the 2011 Report in the section "Contingent Liabilities" on page 168 of this document.

Based upon the publicly available information published by Resolute, there are no other governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened) during the last

12 months which may have, or have had in the recent past, significant effects on Resolute's financial position or profitability.

16 Significant change

Based upon the publicly available information published by Resolute, there has been no significant change in the financial or trading position of the Resolute group which has occurred since 30 June 2011, being the date to which the historical financial information contained in Section B of this Annex has been prepared.

17 Material contracts

The financial notes to the accounts contained in Section B of this Annex contain reference to the following agreements entered into during the two years preceding publication of this Prospectus:

1. Tax Sharing Agreement and Tax Funding Agreement (referred to at paragraph I of Note 3 to the 2011 Report at page 145 of this document).

2. Hire Purchase Agreements between Carpentaria Gold Pty Ltd and each of Esanda Finance Corporation Limited, Caterpillar Financial Australia Limited, Atlas Copco Customer Finance Pty Ltd and the Commonwealth Bank of Australia (referred to at paragraph (a) of Note 17 to the 2011 Report at page 153 of this document).

3. A senior debt facility provided by Barclays and Investec, derivative facilities provided by Barclays and Investec, an environmental bond facility provided by Barclays and a deferred premium loan facility provided by Barclays (each as referred to at paragraph (b) of Note 17 to the 2011 Report at page 153 of this document).

4. Electricity supply agreement between Carpentaria Gold Pty Ltd and AGL Energy Limited (referred to at paragraph (a) of Note 25 to the 2011 Report at page 160 of this document).

5. Mining Development Agreement (referred to at paragraph (b)(iii) of Note 32 to the 2011 Report at page 169 of this document).

6. Electricity Supply Agreement with Tanesco (referred to at paragraph (c) to Note 32 to the 2011 Report at page 169 of this document).

7. Syama Sale and Purchase Agreement with Randgold Resources Limited (referred to in the section entitled "Commitments" within Note 32 to the 2011 Report at page 170 of this document).

8. Agreement with Dominion Gold Operations Pty Ltd to sell Challenger Royalty (referred to at paragraph (f)(ii) to Note 2 to the 2010 Report at page 219 of this document).

9. Mining Development Agreement (referred to at paragraph (b)(iii) of Note 32 to the 2010 Report at page 244 of this document).

10. Deed of Indemnity with Paladin Resources Limited (referred to at paragraph (c) of Note 32 to the 2010 Report at page 244 of this document).

11. Isa Uranium Joint Venture Agreement (referred to at paragraph (c) of Note 32 to the 2010 Report at page 244 of this document).

12. Deed of Settlement, Release and Assignment with Areva NC (Australia) Pty Ltd, Paladin Energy Limited, Mt Isa Uranium Pty Ltd and Summit Resources Limited (referred to at paragraph (c) of Note 32 to the 2010 Report at page 244 of this document).

18 Documents on display

Copies of Resolute's Constitution and the annual report and accounts for the three financial years ended 30 June 2011 will be available for inspection at the offices of Norton Rose LLP, 3 More London Riverside, London SE1 2AQ from the date of this document until the final closing date of the Placing.

ANNEX

INFORMATION ON RESOLUTE MINING LIMITED

Section B – Historical Financial Information

1. 2011 Accounts

The Directors' Report, Corporate Governance Statement, Financial Statements, Notes and Audit Report for the year ended 30 June 2011 from Resolute Mining Limited's 2011 Annual Report and Accounts have been reproduced as pages 98 to 197 of this document.

Directors' Report

for the year ended 30 June 2011

Your directors present their report on the consolidated entity (referred to hereafter as the "Group" or "Resolute") consisting of Resolute Mining Limited and the entities it controlled at the end of or during the year ended 30 June 2011.

CORPORATE INFORMATION

Resolute Mining Limited ("RML" or "the Company") is a company limited by shares that is incorporated and domiciled in Australia.

DIRECTORS

The names and details of the directors of Resolute Mining Limited in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

NAMES, QUALIFICATIONS, EXPERIENCE AND SPECIAL RESPONSIBILITIES

Peter Ernest Huston (Non-Executive Chairman)
B. Juris, LLB (Hons), B.Com., LLM

Mr Peter Huston was appointed Chairman in 2000. After gaining admission in Western Australia as a Barrister and Solicitor, Mr Huston initially practised in the area of corporate and revenue law. Subsequently, he moved into the area of public listings, reconstructions, equity raisings, mergers and acquisitions and advised on a number of major public company floats, takeovers and reconstructions. Mr Huston is admitted to appear before the Supreme Court, Federal Court and High Court of Australia. Mr Huston was a partner of the international law firm now known as "Deacons" until 1993 when he retired to establish the boutique investment bank and corporate advisory firm known as "Troika Securities Limited".

Mr Huston is a member of the Audit Committee and the Remuneration and Nomination Committee.

Peter Ross Sullivan (Chief Executive Officer)
B.E., MBA

Mr Peter Sullivan was appointed Chief Executive Officer of the Company in 2001 and has been involved with the Group since 1999. Mr Sullivan is an engineer and has been involved in the management and strategic development of resource companies and projects for over 20 years. Mr Sullivan is also a director of GME Resources Limited (appointed 1996).

Mr Sullivan is a member of the Environment and Community Development Committee, the Safety, Security and Occupational Health Committee, and the Financial Risk Management Committee.

Thomas Cummings Ford (Non-Executive Director)
FAICD

Mr Tom Ford is a non-executive director and was appointed to the board in 2001. Mr Ford is an investment banker and financial consultant with over 30 years experience in the finance industry. He retired as an executive director of a successful and well regarded Australian investment bank in 1991 and now fulfils a number of non-executive director roles. He is also Chairman of RESIMAC Limited (appointed 1985), and in the last 3 years he was a non-executive director of Amalgamated Holdings Limited (appointed in 1993, served until October 2009).

Mr Ford is a member of the Audit Committee and the Remuneration and Nomination Committee.

Henry Thomas Stuart (Bill) Price (Non-Executive Director)
B.Com., FCA, FAICD

Mr Bill Price is a non-executive director and was appointed to the board in 2003. Mr Price is a Chartered Accountant with over 35 years experience in the accounting profession. Mr Price has extensive taxation and accounting experience in the corporate and mining sector. In addition to his professional qualifications, Mr Price is a member of the Australian Institute of Company Directors, a registered tax agent and registered company auditor. Mr Price is also a director and treasurer of Tennis West.

Mr Price is the Chairman of the Audit Committee and a member of the Remuneration and Nomination Committee.

COMPANY SECRETARY

Greg William Fitzgerald
B.Bus., C.A.

Mr Fitzgerald is a Chartered Accountant with over 20 years of resources related financial experience and has extensive commercial experience in managing finance and administrative matters for listed companies. Mr Fitzgerald is also the General Manager – Finance & Administration and has been Company Secretary since 1996. Prior to his involvement with the Group, Mr Fitzgerald worked with an international accounting firm in Australia.

Mr Fitzgerald is a member of the Financial Risk Management Committee.

INTERESTS IN THE SHARES AND OPTIONS OF RESOLUTE MINING LIMITED AND RELATED BODIES CORPORATE

As at the date of this report, the interests of the directors in shares, options and convertible notes of Resolute Mining Limited and related bodies corporate were:

	ORDINARY SHARES	OPTIONS OVER ORDINARY SHARES	CONVERTIBLE NOTES
P. Huston	401,421	26,761	-
P. Sullivan	3,174,115	2,133,333	200,000
T. Ford	131,315	133,333	200,000
H. Price	27,191	67,554	100,000
	3,734,042	**2,360,981**	**500,000**

Directors' Report

for the year ended 30 June 2011

NATURE OF OPERATIONS AND PRINCIPAL ACTIVITIES

The principal activities of entities within the consolidated entity during the year were:

- Gold mining; and,
- prospecting and exploration for minerals.

There has been no significant change in the nature of those activities during the year.

RESULTS

Revenues from operations increased by 30% to $445.055m (2010: $342.484m) in the year ended 30 June 2011.

The net profit after tax was $42.930m (2010: $56.571m loss).

The average cash price received per ounce of gold sold during the year was $1,337/oz (2010: $1,070/oz).

The $78.358m realised loss on closing out the hedge book did not have an impact on the current year profit result due to this expense being recognised in prior periods.

Net operating cash inflows during the year (which include exploration expenditure) were $58.640m (2010: $31.791m). This does not include the $14.465m of bullion on hand at 30 June 2011.

Net investing cash outflows of $34.242m (2010: $54.001m) relate mainly to expenditure on property, plant and equipment and development.

Net financing outflows of $31.805m (2010: $27.273m inflow) include $46.948m of borrowing repayments.

DIVIDENDS

No dividend has been declared or paid during, or subsequent to, the financial year.

REVIEW OF OPERATIONS

PRODUCTION

The Group gold production for the year was 330,859 ounces (2010: 352,302 oz) of gold at an average cash cost of $908/oz (2010: $741/oz).

Golden Pride gold mine in Tanzania, Africa, produced 122,921 ounces (2010: 148,675 oz) at a cash cost of $713/oz (or US$708/oz) (2010: $583/oz or US$514/oz).

Ravenswood gold mine in Queensland, Australia, produced 122,576 ounces (2010: 125,652 oz) at a cash cost of $893/oz (2010: $804/oz).

Syama gold mine produced a total of 85,362 ounces (2010: 77,975 oz) at a cash cost of $1,209/oz (or US$1,197/oz)(2010: $1,114/oz or US$1,001).

DEVELOPMENT

Mali

- The Syama Strategic Study was completed and resulted in an expanded pit with a contained reserve of 31.7Mt @ 2.9g/t Au for 2.94 million ounces of gold. This reserve represents a 104% increase over reserves at 30 June 2010.
- Project management and engineering design for the Syama Expansion Definitive Feasibility Study ("DFS") was awarded to GR Engineering Services in Perth. This study will include all aspects of the open pit expansion as well as the design and construction of a parallel oxide ore circuit. This study is due for completion in Q1 2012.
- A positive Feasibility Study was completed for the Supply and Installation of a High Voltage Grid to supply power to Syama. A Memorandum of Understanding and Terms of Reference documents are being progressed between the State of Mali, the Energie du Mali and SOMISY S.A..

Queensland

- An internal scoping study to assess the benefits of re-developing the Sarsfield open cut supported the expansion of the open pit. As a result the reserve base at Ravenswood has increased 174% to greater than 1.5m ounces, supporting a further 10 years of operation. A DFS is now underway to evaluate this expansion and also the process to obtain all regulatory approvals for this has commenced.
- New proven and probable reserves of 6.0Mt @ 2.7g/t Au for 519,000 ounces were estimated for Mt Wright. Infill diamond drilling to the 600mRL delivered a 90,000 ounce reserve addition which largely replaced full-year production at Ravenswood.

EXPLORATION

Exploration drilling was carried out in Mali and Queensland while target definition and tenement consolidation work continued in Tanzania and Cote d'Ivoire.

Mali

- Resource estimates for the Syama Extension, Alpha and Tellem deposits added 5.82Mt@ 2.3g/t for 428,000 ounces to the Syama resource inventory.
- Drilling at the BA01 Prospect, 5km northeast of Syama, returned excellent first pass intercepts including; 13m @ 5.41g/t Au from 58m and 14m @ 6.48g/t Au from 141m, and 25m @ 7.64g/t Au from 62m.

Directors' Report

for the year ended 30 June 2011

Queensland

- Further diamond drilling at Welcome Breccia returned impressive results including 55m @ 10.54 g/t Au from 420m including 14m @ 21.83 g/t Au from 425m, 12m @ 6.18 g/t Au from 524m, and 50m @ 3.87 g/t Au from 298m. Subsequently, an initial inferred resource of 2.04Mt @ 2.04g/t Au for 210,000 ounces was estimated.
- A drill campaign was commenced in the June Quarter 2011 to test the vertical and lateral extents on the Welcome Deposit. Significant assay results have included 14m @ 18.78 g/t Au from 69m and 25m @ 1.70 g/t Au from 98m from RC drilling just below the old Welcome open pit.
- Several other Mt Wright style targets in the district are now ready for ground geophysical work and/or drill testing.

Golden Pride Project, Tanzania

- RC drilling at the Far East deposit returned exceptional near surface intercepts including 18m @ 10.27 g/t Au from 12m, 9m @ 19.16 g/t Au from 23m and 5m @ 6.82 g/t Au from 58m.

Cote d'Ivoire

- Resolute has secured a significant land holding over targeted portions of the largely underexplored Birimian greenstone belts in Cote d'Ivoire. First pass surface geochemical programs have already defined ten significant gold and pathfinder element anomalies that will undergo further exploration in the coming year.

CORPORATE

- Group cash and bullion at 30 June 2011 was $25.678m (2010: $27.921m).
- Fund raising activities during the year, through a combination of a fully underwritten institutional placement and exercise of existing options, provided gross proceeds of $41.826m.
- The hedging program was closed out in October 2010. Funding for the gold purchases to achieve this comprised approximately $30.368m from the equity raising in October and $47.991m of credit from the hedging counterparties, Barclays and Investec. The credit is being repaid in monthly instalments between February and September 2011, and as at 30 June, only $18.910m (inclusive of interest) of repayments remain.
- At 30 June 2011, the face value of Resolute's total borrowings were $125.960m (2010: $134.910m). The borrowing amounts stated here differ to those shown on the balance sheet as these amounts exclude sunk-cost establishment fees and apportionments between debt and equity as required by accounting standards.
- The Barclays/Investec senior credit facilities have been recently amended to provide Resolute with more financial flexibility going forward. The revised amortisation profile sees the facility limit reduce to US$25.000m at 31 December 2011, US$12.500m at 30 June 2012 and nil by 10 December 2012.
- Repayments of borrowings during the year totalled $46.948m (2010: $14.376m), including a voluntary principal repayment of US$10.000m to Barclays/Investec on 30 June. Following the repayment and as a result of the amendment to the debt repayment schedule, Resolute has up to US$10.000m of unused credit on this cash advance facility, which can be utilised if necessary in line with the above limits.
- Interest of $4.106m owing on the Resolute Convertible Notes for the 6 months ended 30 June 2011 was paid in cash on 1 July 2011 and the $4.469m owing for the previous 6 months was funded / paid from an issue of 3.6m Resolute ordinary shares at an issue price of $1.24 each.

OUTLOOK

Forecast gold production for the Group for the year ending 30 June 2012 is 410,000 ounces at a cash cost of approximately $730 per ounce (based on an assumed USD/AUD exchange rate of US$1.05).

Golden Pride

Gold production is expected to increase slightly this year as a result of the processing of higher grade ore.

Ravenswood

Gold production is expected to be marginally lower in the coming year due to the completion of processing the Sarsfield low grade ore stockpiles and reconfiguration of the operation to treatment of Mt Wright ore only.

Syama

Gold production is expected to significantly improve as the effects of improved reliability and throughput impact positively on the operation and better grade material becomes available from the pit.

Development

Work will continue on the DFS for the Syama Expansion, Syama High Voltage Grid Connection and Sarsfield Open Pit projects, with completion of all three expected during the year.

Diamond drilling is planned to test the down dip and adjacent extents of the Mt Wright deposit.

A scoping study of the Nyakafuru Project in Tanzania will be undertaken along with further resource drilling.

Exploration

The exploration budget has been approximately doubled to $20.294 million for the 2012 financial year.

Exploration spending will be primarily directed towards a number of highly prospective tenement package areas around existing infrastructure.

In Mali this includes the numerous oxide and sulphide targets identified along the Syama Sheer to the north and south of the Syama pit.

The Mt Wright-style targets at the Welcome Breccia and Golden Valley/ Mt Success Projects near Ravenswood will also be advanced.

Corporate

Cash flow is expected to improve over the year significantly strengthening the balance sheet.

In the early part of the year this will involve the aggressive pay down of secured debt.

Directors' Report

for the year ended 30 June 2011

Depending on market conditions, further de-gearing of the balance sheet could occur through the early redemption/conversion of the Convertible Notes representing approximately $68.431m of unsecured debt.

Consideration will also be given to capital management initiatives.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There have been no significant changes in the state of affairs of the Company other than those listed above.

SIGNIFICANT EVENTS AFTER BALANCE DATE

No significant events have occurred from 30 June 2011 to the date of this report.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The likely developments in the operations of the consolidated entity and the expected results of those operations in the coming financial year are as follows:

(i) The continued production of gold from the Golden Pride, Ravenswood and Syama mines;

(ii) mineral exploration will continue; and,

(iii) the Group will seek to expand its gold production activities by advancing its existing projects or where appropriate, by direct acquisition of projects or investments in other resource based companies.

ENVIRONMENTAL REGULATION PERFORMANCE

The consolidated entity holds licences and abides by Acts and Regulations issued by the relevant mining and environmental protection authorities of the various countries in which the Group operates. These licences, Acts and Regulations specify limits and regulate the management of discharges to the air, surface waters and groundwater associated with the mining operations as well as the storage and use of hazardous materials.

There have been no significant known breaches of the consolidated entity's licence conditions or of the relevant Acts and Regulations.

REMUNERATION REPORT

The following information has been audited.

This remuneration report outlines the director and executive remuneration arrangements of the Company and the Group in accordance with the requirements of the *Corporations Act 2001* and its Regulations. For the purposes of this report, key management personnel ("KMP") of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, including any director (whether executive or otherwise) of the parent company, and includes the executives in the Parent and the Group receiving the highest remuneration.

(a) Key management personnel

(i) Directors

P. Huston	Non-Executive Chairman
P. Sullivan	Director and Chief Executive Officer
T. Ford	Non-Executive Director
H. Price	Non-Executive Director

(ii) Executives

G. Fitzgerald	General Manager - Finance & Administration and Company Secretary
P. Beilby	General Manager - Operations (Appointed 20 September 2010)
A. King	General Manager - Operations (Contract terminated 30 July 2010)
P. Venn	General Manager - Business Development

(b) Compensation of key management personnel

This report outlines the remuneration arrangements in place for directors and executives of RML.

RML REMUNERATION POLICY

The board recognises that the performance of the Company depends upon the quality of its directors and executives. To achieve its financial and operating objectives, the Company must attract, motivate and retain highly skilled directors and executives.

The Company embodies the following principles in its remuneration framework:

- Provides competitive rewards to attract high calibre executives;
- structures remuneration at a level that reflects the executive's duties and accountabilities and is competitive within Australia;
- benchmarks remuneration against appropriate groups at approximately the third quartile; and,
- aligns executive incentive rewards with the creation of value for shareholders.

REMUNERATION AND NOMINATION COMMITTEE

The Remuneration and Nomination Committee is responsible for determining and reviewing the compensation arrangements for the directors themselves, the Chief Executive Officer and the executive team.

Executive remuneration is reviewed annually having regard to individual and business performance, relevant comparative information and internal and independent external information.

In accordance with best practice governance the Remuneration and Nomination Committee is comprised solely of non-executive directors.

Directors' Report

for the year ended 30 June 2011

REMUNERATION STRUCTURE

In accordance with best practice governance, the structure of non-executive director and senior executive remuneration is separate and distinct. Note that the remuneration structure for the Chief Executive Officer is the same as the executive team.

NON-EXECUTIVE DIRECTOR REMUNERATION

Objective

The Board seeks to set aggregate remuneration at a level which provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

Structure

The Company's constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the directors as agreed. The latest determination was at the Annual General Meeting held on 30 November 2010 when the shareholders approved an aggregate remuneration of $600,000 per year.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst directors is reviewed annually. The board considers fees paid to non-executive directors of comparable companies when undertaking the annual review process.

Each non-executive director receives a fee for being a director of the Company and for sitting on relevant board committees. The fee size is commensurate with the workload and responsibilities undertaken.

CHIEF EXECUTIVE OFFICER AND SENIOR EXECUTIVE REMUNERATION

Objective

The Company aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Company and so as to ensure total remuneration is competitive by market standards.

Structure

In determining the level and make up of executive remuneration, the Remuneration and Nomination Committee uses an external consultant's Remuneration Report to determine market levels of remuneration for comparable executive roles in the mining industry.

It is the Remuneration and Nomination Committee's policy that employment contracts are engaged for the Chief Executive Officer and the executive employees. Details of these contracts are outlined later in this report.

Remuneration consists of the following key elements:

- Fixed remuneration
- Variable remuneration
  - Short term incentives (STI); and,
  - Long term incentives (LTI).

The proportion of fixed remuneration and variable remuneration (potential short term and long term incentives) is established for each executive by the Remuneration and Nomination Committee.

FIXED REMUNERATION

Objective

The level of fixed remuneration is set so as to provide a base level of remuneration which is both appropriate to the position and is competitive in the market.

Fixed remuneration is reviewed annually by the Remuneration and Nomination Committee. The process consists of a review of business unit, individual performance and relevant comparable remuneration in the mining industry.

Structure

Executives are given the opportunity to receive their fixed (primary) remuneration in a variety of forms including cash and fringe benefits such as motor vehicles and expense payment plans. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost to the Company.

VARIABLE REMUNERATION – SHORT TERM INCENTIVE (STI)

Objective

The objective of the STI is to reward performance that is over and above expectation levels and is linked to the achievement of the Company's performance measures (as set out below) by the executives charged with meeting those targets. The STI is set at a level so as to provide sufficient incentive to the executives to achieve the targets and such that the cost to the Company is reasonable in the circumstances.

Structure

Actual STI payments granted to each executive depend on their performance over the preceding year and are determined during the annual performance appraisal process. The performance appraisal outcomes are at the discretion of the remuneration committee and takes into account the following factors:

- performance of a business unit;
- contribution to earnings;
- operational performance of a business unit;
- risk management;
- health and safety; and,
- leadership/team contribution.

The executive has to demonstrate outstanding performance in order to trigger payments under the short-term incentive scheme.

On an annual basis, after consideration of performance against KPIs, the overall performance of the Company and each individual business unit is assessed by the Remuneration and Nomination Committee.

The individual performance of each executive is also assessed and all these measures are taken into account when determining the amount, if any, to be paid to the executive as a short-term incentive.

Directors' Report

for the year ended 30 June 2011

The aggregate of annual STI payments available for executives across the Company is subject to the approval of the Remuneration and Nomination Committee. Payments are usually delivered as a cash bonus and/or in the form of superannuation.

VARIABLE REMUNERATION – LONG TERM INCENTIVE (LTI)

Objective

The objective of the LTI plan is to reward executives in a manner, which aligns this element of remuneration with the creation of shareholder wealth.

As such LTI's are made to executives who are able to influence the generation of shareholder wealth and thus have an impact on the Company's performance against the relevant long-term performance hurdles.

Structure

LTI grants to executives are delivered in the form of employee share options. These options are issued with an exercise price at a 10% premium to the RML ordinary share price at the date the Remuneration and Nomination Committee decides to invite the eligible persons to apply for the option. These employee share options will also generally vest over a 30 month period.

Options granted are vested in accordance with the Resolute Mining Limited Employee Share Option Plan following a review by the relevant supervisor of the executive's performance. If a satisfactory performance level is achieved, the relevant portions of the options vests to the executive. In order for the executive's options to vest, the executive must successfully meet the deliverables set out in their employment contract specific to their role. The assessment of whether the executive's role has been successfully performed (therefore allowing the options to vest) is done by way of a formal annual appraisal of the key management personnel's individual performance. Assessments of performance generally exclude factors external to the Company.

The performance of the Chief Executive Officer is assessed by the Chairman, and the performance of the other executives is assessed by the Chief Executive Officer. The annual performance appraisal assesses each key executive's performance against the following categories:

(a) Professional and technical competence;

(b) Teamwork and administrative skills;

(c) Self development and communication skills; and

(d) Developing people.

Although there are no specific performance hurdles in place, these general performance categories which the executives are evaluated against were chosen to enhance accountability of the executives across several areas critical to good management of the Group, and the board believes the annual appraisal process conducted in light of these categories provides an accurate and adequate measurement of their performance. This LTI method enables the Company to provide its executives with long term objectives which create a link between the delivery of value to shareholders, financial performance, and rewarding and retaining their valued services.

The Company prohibits directors or executives from entering into arrangements to protect the value of unvested Resolute Mining Limited shares or options that the director or executive may become entitled to as part of his/her remuneration package. This includes entering into contracts to hedge their exposure to RML options or shares that may vest to him/her in the future.

Directors' Report

for the year ended 30 June 2011

Details of remuneration provided to key management personnel are as follows:

	SHORT TERM BENEFITS				POST EMPLOYMENT BENEFITS
2011	BASE REMUNERATION	CASH BONUS (iv)	CASH BONUS GRANT, VEST & PAID DATE (iv)	NON MONETARY BENEFITS (i)	SUPERANNUATION
DIRECTORS	$	$		$	$
P. Huston	150,000	-	-	-	-
P. Sullivan	609,859	-	-	60,206	54,887
T. Ford	17,980	-	-	-	47,645
H. Price	15,367	-	-	-	50,258
OFFICERS					
G. Fitzgerald	358,985	-	-	3,764	32,309
P. Beilby (ii)	307,272	-	-	-	49,091
P. Venn	275,435	-	-	27,446	26,949
A. King (iii)	78,828	-	-	686	3,018
2010					
DIRECTORS					
P. Huston	150,000	-	-	-	-
P. Sullivan	596,121	100,000	11 Dec 2009	61,487	53,839
T. Ford	57,339	-	-	-	5,161
H. Price	12,500	-	-	-	50,000
OFFICERS					
G. Fitzgerald	333,367	20,000	11 Dec 2009	9,096	30,449
P. Venn	254,019	-	-	20,342	24,482
A. King (iii)	391,599	25,000	11 Dec 2009	1,508	35,244

(i) Non monetary benefits include, where applicable, the cost to the Company of providing fringe benefits, the fringe benefits tax on those benefits and all other benefits received by the executive.

(ii) P. Beilby was appointed 20 September 2010.

(iii) A. King's contract terminated on 30 July 2010.

(iv) The Remuneration and Nomination Committee approved the amount on the basis of performance and increased workload during the 2009 calendar year.

Directors' Report
for the year ended 30 June 2011

SHARE BASED PAYMENTS	PERFORMANCE RELATED		
OPTIONS	OPTIONS	CASH BONUS	CASH BONUS & OPTIONS
$	%	%	%
-	-	-	-
723,352	49.94	-	49.94
-	-	-	-
-	-	-	-
47,761	10.79	-	10.79
65,878	15.60	-	15.60
47,998	12.70	-	12.70
(24,649)	-	-	-

-	-	-	-
-	-	12.32	12.32
-	-	-	-
-	-	-	-
44,312	10.13	4.57	14.71
41,907	12.30	-	12.30
32,786	6.74	5.14	11.89

Directors' Report

for the year ended 30 June 2011

Details of option holdings of key management personnel are as follows:

2011	OPTIONS TYPE	BALANCE AT THE START OF THE YEAR	GRANTED DURING THE YEAR AS COMPENSATION (I)	GRANT DATE	FAIR VALUE OF OPTIONS AT GRANT DATE	TOTAL FAIR VALUE OF OPTIONS AT GRANT DATE	FIRST EXERCISE DATE OF OPTIONS GRANTED DURING THE YEAR
DIRECTORS					$	$	
P. Huston	Listed	26,761	-	-	-	-	-
P. Sullivan	Unlisted	-	2,000,000	2 Dec 2010	0.70	1,390,904	5 Jul 2011
P. Sullivan	Listed	133,333	-	-	-	-	-
T. Ford	Listed	133,333	-	-	-	-	-
H. Price	Listed	67,554	-	-	-	-	-
OFFICERS							
G. Fitzgerald	Unlisted	315,000	100,000	23 Dec 2010	0.72	71,980	25 Jul 2011
P. Beilby	Unlisted	-	90,000	27 Oct 2010	0.73	65,546	16 May 2011
P. Beilby	Unlisted	-	100,000	23 Dec 2010	0.72	71,980	25 Jul 2011
P. Venn	Unlisted	315,000	100,000	23 Dec 2010	0.72	71,980	25 Jul 2011
P. Venn	Listed	5,000	-	-	-	-	-
A. King (ii), (iii)	Unlisted	190,000	-	-	-	-	-
2010							
DIRECTORS							
P. Huston	Listed	26,761	-	-	-	-	-
P. Sullivan	Listed	133,333	-	-	-	-	-
T. Ford	Listed	133,333	-	-	-	-	-
H. Price	Listed	67,554	-	-	-	-	-
OFFICERS							
G. Fitzgerald	Unlisted	225,000	90,000	15 Feb 2010	0.49	44,100	15 Aug 2010
P. Venn	Unlisted	225,000	90,000	15 Feb 2010	0.49	44,100	15 Aug 2010
P. Venn (v)	Listed	-	-	-	-	-	-
A. King (iv)	Unlisted	150,000	90,000	15 Feb 2010	0.49	44,100	15 Aug 2010

(i) Options granted vest in accordance with the Resolute Mining Limited Employee Share Option Plan following the review by the relevant supervisor of the key management personnel's performance. For details on the valuation of the options, including models and assumptions used, refer to Note 31. The percentage of options granted during the financial year that also vested during the financial year is 1.3% (2010: nil). None of these options were forfeited during the financial year.

(ii) On 30 July 2010, 50,000 options were exercised at a price of $0.42 per option. The fair value at grant date of the options exercised was $10,200. In each instance of exercising options, one ordinary share was issued for each option exercised. There were no unpaid amounts relating to any ordinary shares acquired through the exercise of options.

(iii) The value of options at the date of lapse was $69,900.

Directors' Report

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EXPIRY & LAST EXERCISE DATE OF OPTIONS GRANTED DURING THE YEAR	EXERCISE PRICE OF OPTIONS GRANTED DURING THE YEAR	EXERCISED DURING THE YEAR	LAPSED DURING THE YEAR	ACQUIRED DURING THE YEAR	BALANCE AT THE END OF THE YEAR	GRANTED & VESTED DURING THE YEAR	VESTED AND EXERCISABLE AT THE END OF THE YEAR		VALUE OF OPTIONS EXERCISED DURING THE YEAR
	$					No.	No.	%	$
-	-	-	-	-	26,761	-	26,761	100.00	-
4 Jan 2016	1.36	-	-	-	2,000,000	-	-	-	-
-	-	-	-	-	133,333	-	133,333	100.00	-
-	-	-	-	-	133,333	-	133,333	100.00	-
-	-	-	-	-	67,554	-	67,554	100.00	-
24 Jan 2016	1.43	-	-	-	415,000	-	205,000	49.40	-
15 Nov 2015	1.43	-	-	-	90,000	30,000	30,000	33.33	-
24 Jan 2016	1.43	-	-	-	100,000	-	-	-	-
24 Jan 2016	1.43	-	-	-	415,000	-	205,000	49.40	-
-	-	-	-	-	5,000	-	5,000	100.00	-
-	-	(50,000)	(140,000)	-	-	-	-	-	16,500

-	-	-	-	-	26,761	-	26,761	100.00	-
-	-	-	-	-	133,333	-	133,333	100.00	-
-	-	-	-	-	133,333	-	133,333	100.00	-
-	-	-	-	-	67,554	-	67,554	100.00	-
14 Feb 2015	1.09	-	-	-	315,000	-	100,000	31.75	-
14 Feb 2015	1.09	-	-	-	315,000	-	100,000	31.75	-
-	-	-	-	5,000	5,000	-	5,000	100.00	-
14 Feb 2015	1.09	(50,000)	-	-	190,000	-	-	-	32,500

(iv) On 1 April 2010, 50,000 options were exercised at a price of $0.42 per option. These options were due to expire on 31 January 2014. The fair value at grant date of the options exercised was $10,200. In each instance of exercising options, one ordinary share was issued for each option exercised. There were no unpaid amounts relating to any ordinary shares acquired through the exercise of options.

(v) During the year ended 30 June 2010, P. Venn acquired on the market 5,000 listed options over Resolute Mining Limited ordinary shares.

Directors' Report

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EMPLOYMENT CONTRACTS

The CEO, Mr Sullivan, is employed under contract. His current employment contract commenced on 14 February 2004 and there is no termination date. Under the terms of the contract:

- Mr Sullivan may resign from his position and thus terminate this contract by giving 6 months written notice.
- The Company may terminate this employment agreement by providing 12 months written notice or provide payment in lieu of the notice period (based on the fixed component of Mr Sullivan's remuneration).

Mr Fitzgerald (General Manager – Finance and Administration) is also employed under contract. This contract has no termination date and under the terms of the contract:

- Mr Fitzgerald may resign from his position and thus terminate his contract by giving 3 months written notice.
- The Company may terminate his employment agreement by providing 6 months written notice or provide payment in lieu of the notice period (based on the fixed component of Mr Fitzgerald's remuneration).

Mr Venn (General Manager – Business Development) is also employed under contract. This contract has no termination date and under the terms of the contract:

- Mr Venn may resign from his position and thus terminate his contract by giving 3 months written notice.
- The Company may terminate his employment agreement by providing 6 months written notice or provide payment in lieu of the notice period (based on the fixed component of Mr Venn's remuneration).

Mr Beilby (General Manager – Operations) is also employed under contract. This contract has no termination date and under the terms of the contract:

- Mr Beilby's contract commenced on 20 September 2010.
- Mr Beilby may resign from his position and thus terminate his contract by giving 3 months written notice.
- The Company may terminate his employment agreement by providing 6 months written notice or provide payment in lieu of the notice period (based on the fixed component of Mr Beilby's remuneration).

COMPANY PERFORMANCE

The table below shows the performance of the Consolidated Entity over the last 5 years:

		30 JUNE 2011	30 JUNE 2010	30 JUNE 2009	30 JUNE 2008	30 JUNE 2007
Net profit/(loss) after tax	$'000	42,930	(56,571)	30,676	(56,722)	169,996
Basic earnings/(loss) per share	cents/share	13.42	(9.90)	10.30	(21.61)	73.91

This is the end of the audited information.

Directors' Report

for the year ended 30 June 2011

SHARES UNDER OPTIONS

Unissued ordinary shares of Resolute Mining Limited under option at the date of this report are as follows:

GRANT DATE	EXPIRY DATE	EXERCISE PRICE	NUMBER ON ISSUE	
16/10/06	24/10/11	$1.32	50,000	
23/05/08	22/05/13	$2.12	213,000	
29/08/08	28/08/13	$1.62	51,000	
7/10/08	1/10/11	$1.63	1,250,000	
20/01/09	31/01/14	$0.42	537,333	
31/12/08	31/12/11	$0.60	50,333,231	*
9/04/09	31/03/12	$1.00	500,000	
21/07/09	30/06/12	$0.74	500,000	
24/10/09	24/10/12	$0.72	3,000,000	
15/02/10	14/02/15	$1.09	717,000	
30/06/10	15/07/15	$1.21	99,000	
27/10/10	15/11/15	$1.43	135,000	
2/12/10	4/01/16	$1.36	2,000,000	
23/12/10	24/01/16	$1.43	1,157,000	
29/06/11	15/07/16	$1.18	130,000	

* Denotes options that are listed on the Australian Securities Exchange.

Shares issued as a result of the exercise of options:

From 1 July 2011 up until the date of this report, option holders' exercised options to acquire 969,826 fully paid ordinary shares in Resolute Mining Limited at a weighted average exercise price of $0.65 per share.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

During or since the financial year, the Company paid an insurance premium of $70,716 (2010: $70,724) in respect of a contract insuring the Company's directors and officers against certain liabilities arising as a result of work performed in the capacity as directors and officers. This insurance premium is not allocated over individuals.

Directors' Report

for the year ended 30 June 2011

DIRECTORS' MEETINGS

The number of meetings and resolutions of directors (including meetings of committees of directors) held during the year and the number of meetings (or resolutions) attended by each director were as follows:

	FULL BOARD	AUDIT	ENVIRONMENT & COMMUNITY DEVELOPMENT	REMUNERATION & NOMINATION	SAFETY, SECURITY & OCCUPATIONAL HEALTH	FINANCIAL RISK MANAGEMENT
P. Huston	18	0.5	n/a	2	n/a	n/a
P. Sullivan	19	n/a	4	n/a	4	21
T. Ford	19	2	n/a	2	n/a	n/a
H. Price	19	2	n/a	2	n/a	n/a
Number of meetings (or resolutions) held	19	2	4	2	4	21

The details of the functions of the other committees of the Board are presented in the Corporate Governance Statement.

ROUNDING

RML is a Company of the kind specified in Australian Securities and Investments Commission Class Order 98/0100. In accordance with that class order, amounts in the financial report and the Directors' Report have been rounded to the nearest thousand dollars unless specifically stated to be otherwise.

AUDITOR INDEPENDENCE

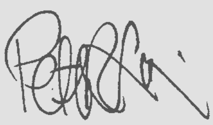
Refer to page 55 for the Auditor's Independence Declaration to the Directors of Resolute Mining Limited.

NON-AUDIT SERVICES

Non-audit services were provided by the entity's auditor, Ernst & Young. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Ernst & Young Australia received or are due to receive $102,890 for the provision of taxation planning and review services.

Signed in accordance with a resolution of the directors.



P.R. Sullivan
Director

Perth, Western Australia
22 September 2011

Corporate Governance Statement

for the year ended 30 June 2011

The Board of Directors of Resolute Mining Limited ("RML" or "the Company") is responsible for the corporate governance of the consolidated entity (the "Group"). The Board guides and monitors the business and affairs of RML on behalf of the shareholders by whom they are elected and to whom they are accountable.

The Board has adopted the "Corporate Governance Principles and Recommendations" established by the ASX Corporate Governance Council and published by the ASX in August 2007. There is a corporate governance section on the Company's website which sets out the various policies, charters and codes of conduct which have been adopted to ensure compliance with the "best practice recommendations" referred to above.

A description of the Company's main corporate governance practices is set out below. All practices, unless otherwise stated, were in place for the entire year.

1. THE BOARD OF DIRECTORS

The Board have established a "Statement of Matters Reserved to the Board" which is available on the Company website. This outlines the functions reserved to the Board and those delegated to management and demonstrates that the responsibilities and functions of the Board are distinct from management.

The key responsibilities of the Board include:

- Appointing, evaluating, rewarding and if necessary the removal of the Chief Executive Officer ("CEO") and senior management;
- Development of corporate objectives and strategy with management and approving plans, new investments, major capital and operating expenditures and major funding activities proposed by management;
- Monitoring actual performance against defined performance expectations and reviewing operating information to understand at all times the state of the health of the Company;
- Overseeing the management of business risks, safety and occupational health, environmental issues and community development;
- Satisfying itself that the financial statements of the Company fairly and accurately set out the financial position and financial performance of the Company for the period under review;
- Satisfying itself that there are appropriate reporting systems and controls in place to assure the Board that proper operational, financial, compliance, risk management and internal control processes are in place and functioning appropriately. Further, approving and monitoring financial and other reporting;
- Assuring itself that appropriate audit arrangements are in place;
- Ensuring that the Company acts legally and responsibly on all matters and assuring itself that the Company has adopted a Code of Business Ethics and that the Company practice is consistent with that Code; and
- Reporting to and advising shareholders.

The Board is comprised of 3 non-executive Directors including the Chairman and one executive director being the CEO.

The table below sets out the detail of the tenure of each director at the date of this report.

	ROLE OF DIRECTOR	FIRST APPOINTED (a)	NON-EXECUTIVE	INDEPENDENT	GENDER
Peter Ernest Huston	Non-executive chairman	June 2001	Yes	Yes	Male
Peter Ross Sullivan	CEO	June 2001	No	No	Male
Thomas Cummings Ford	Non-executive director	June 2001	Yes	Yes	Male
Henry Thomas Stuart Price	Non-executive director	November 2003	Yes	Yes	Male

(a) RML was incorporated on 8 June 2001.

Details of the members of the Board including their experience, expertise and qualifications are set out in the Directors' Report under the heading "Directors".

2. DIRECTOR INDEPENDENCE

Directors are expected to contribute independent views to the Board.

The Board has adopted specific principles in relation to the Directors' independence. These state that to be deemed independent, a director must be a non-executive and:

- Not a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company.
- Within the last three years has not been employed in an executive capacity by the Company or another group member, or been a director after ceasing to hold any such employment.
- Within the last three years has not been a principal of a material professional advisor or a material consultant to the Company or another group member, or an employee materially associated with the service provided.
- Not a material supplier or customer of the Company or other group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer.
- Must have no material contractual relationship with the Company or another group member other than as a director of the Company.
- Not served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company.
- Is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company.

Corporate Governance Statement

for the year ended 30 June 2011

Materiality for these purposes is based on both quantitative and qualitative bases. An amount of over 5% of annual turnover of the Company or Group or 5% of the individual Directors net worth is considered material for these purposes. In addition, a transaction of any amount or a relationship is deemed to be material if knowledge of it impacts the shareholders' understanding of the director's performance.

The Board has reviewed and considered the positions and associations of each of the 4 Directors in office at the date of this report and considers that 3 of the directors are independent. Mr Peter Sullivan (CEO) is not considered to be independent. As such it is clear that the majority of the Board are independent and the Chairman is an independent director.

The roles of the Chairman and the CEO are not exercised by the same individual. The Chairman is responsible for leading the Board, ensuring that Board activities are organised and efficiently conducted and for ensuring Directors are properly briefed for meetings. The Board has delegated responsibility for the day-to-day activities to the CEO and the Executive Committee. The Remuneration and Nomination Committee ensure that the Board members are appropriately qualified and experienced to discharge their responsibilities and has in place procedures to assess the performance of the CEO and the Executive Committee. The CEO is accountable to the Board for all authority delegated to that position and the Executive Committee.

Directors and Board Committees have the right, in connection with their duties and responsibilities, to seek independent professional advice at the Company's expense.

In relation to the term of office, the Company's constitution specifies that one third of all Directors (with the exception of the CEO) must retire from office annually and are eligible for re-election.

3. REMUNERATION AND NOMINATION COMMITTEE

The Remuneration and Nomination Committee consists of the following non-executive Directors, Mr P.Huston (Chairman), Mr T.Ford and Mr H.Price. The attendance record in the current year of members at the Committee meetings is noted in the Directors' Report under the heading "Directors' Meetings".

The Remuneration and Nomination Committee is responsible for determining and reviewing the compensation arrangements for the Directors themselves, the CEO, the executive team and employees. In addition, they are responsible for reviewing the appropriateness of the size of the Board relative to its various responsibilities. Recommendations are made to the Board on these matters. Further roles and responsibilities of this Committee, including a description of the procedure for the selection, appointment and re-election of incumbents, can be found in the Committee's charter which is posted on the Company website.

A performance evaluation of senior executives took place during the financial year and was conducted in accordance with the procedures outlined by the Remuneration and Nomination Committee.

A diversity policy has been established with the goal of promoting a high performance culture that draws on the diverse and relevant experience, skills, expertise, perspectives and the unique personal attributes of its board members and employees.

4. ETHICAL STANDARDS AND CODE OF CONDUCT

The Board acknowledges the need for the highest standards of corporate governance and ethical conduct by all Directors and employees of the consolidated entity. As such, the Company has developed a Code of Conduct which has been fully endorsed by the Board and applies to all Directors and employees. This Code of Conduct is regularly reviewed and updated as necessary to ensure that it reflects the highest standards of behaviour and professionalism and the practices necessary to maintain confidence in the Group's integrity.

A fundamental theme is that all business affairs are conducted legally, ethically and with strict observance of the highest standards of integrity and propriety. The Directors and management have the responsibility to carry out their functions with a view to maximising financial performance of the consolidated entity. This concerns the propriety of decision making in conflict of interest situations and quality decision making for the benefit of shareholders.

Refer to the Company website for specific codes of conduct, including the policy for reporting and investigating unethical practices.

5. SECURITIES TRADING

The Board has adopted the "Dealings in Resolute Mining Limited Securities Trading Policy" (refer website) (which is driven by *Corporations Act 2001* requirements) that applies to all Directors, officers and employees of the Company. Under this policy and the *Corporations Act 2001*, it is illegal for Directors, officers or employees who have price sensitive information relating to the Group which has not been published or which is not otherwise 'generally available' to:

- Buy, sell or otherwise deal in the Company's securities;
- Advise, procure or encourage another person (for example, a family member, a friend, a family Company or trust) to buy or sell Company securities; or
- Pass on information to any other person, if one knows or ought to reasonably know that the person may use the information to buy or sell (or procure another person to buy or sell) Company securities.
- Subject to clause 2.5 of the RML Securities Trading Policy, trade in the securities of the Company one week before the release of the Company's Quarterly, Half yearly or Preliminary Final Report to the ASX is prohibited.

Furthermore, the Company prohibits directors or executives from entering into arrangements to protect the value of unvested Resolute Mining Limited securities that the Director or executive may become entitled to as part of his/her remuneration package. This includes entering into contracts to hedge their exposure to securities that may vest to him/her in the future.

Corporate Governance Statement

for the year ended 30 June 2011

6. CORPORATE REPORTING

The CEO and General Manager - Finance & Administration have made the following certifications to the Board:

- That the Company's financial reports are complete and present a true and fair view as required by Accounting Standards, in all material respects, of the financial condition and operational results of the Company and Group; and
- That the above statement is founded on a sound system of internal control and risk management which implements the policies adopted by the Board and that the Company's risk management and internal control is operating efficiently in all material respects.

7. AUDIT COMMITTEE

The Audit Committee consists of the following non-executive Directors; Mr H. Price (Chairman), Mr P. Huston and Mr T. Ford. The attendance record in the current year of members at the Committee meetings is noted in the Directors' Report under the heading "Directors' Meetings".

Details of the members of the Board including their experience, expertise and qualifications are set out in the Directors' Report under the heading "Directors".

The Committee operates under a charter approved by the Board which is posted to the corporate governance section of the website. It is the Board's responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes. This includes the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non-financial considerations. The Committee also provides the Board with additional assurance regarding the reliability of the financial information for inclusion in the financial reports.

The Audit Committee is also responsible for:

- Ensuring compliance with statutory responsibilities relating to accounting policy and disclosure;
- Liaising with, discussing and resolving relevant issues with the auditors;
- Assessing the adequacy of accounting, financial and operating controls; and
- Reviewing half-year and annual financial statements before submission to the Board.

8. EXTERNAL AUDITORS

The Company's current external auditors are Ernst & Young. As noted in the Audit Committee charter, the performance and independence of the auditors is reviewed by the Audit Committee.

Ernst & Young's existing policy requires that its audit team provide a statement as to their independence. This statement was received by the Audit Committee for the financial year ended 30 June 2011.

Ernst & Young and the *Corporations Act 2001* has a policy for the rotation of the lead audit partner. As a result of this policy, the head audit partner will be rotated at the conclusion of the audit for the year ended 30 June 2011.

9. CONTINUOUS DISCLOSURE

In accordance with ASX Principle 5, the Board has an established disclosure policy which is available on the Company website.

The Company is committed to:

- Ensuring that stakeholders have the opportunity to access externally available information issued by the Company;
- Providing full and timely information to the market about the Company's activities; and
- Complying with the obligations contained in the ASX Listing Rules and the *Corporations Act 2001* relating to continuous disclosure.

The CEO and the Company Secretary have been nominated as the people responsible for communication with the ASX. This involves complying with the continuous disclosure requirements outlined in the ASX Listing Rules, ensuring that disclosure with the ASX is co-ordinated and being responsible for administering and implementing the policy.

10. SHAREHOLDER COMMUNICATION

The Board has established a communications strategy which is available on the Company website.

The Board aims to ensure that the shareholders, on behalf of whom they act, are informed of all information necessary and kept informed of all major developments affecting the Company in a timely and effective manner. Information is communicated to the market and shareholders through:

- The annual report which is distributed to all shareholders.
- Half yearly, quarterly reports and all ASX announcements which are posted on the entity's website.
- The annual general meeting and other meetings so called to obtain approval for Board action as appropriate.
- Continuous disclosure announcements made to the Australian Securities Exchange.

Further, it is a CLERP 9 requirement that the auditor of the Company attends the annual general meeting. This provides shareholders the opportunity to question the auditor concerning the conduct of the audit and the preparation and content of the Auditor's Report.

11. RISK MANAGEMENT

The Board recognises the importance of identifying and controlling risks to ensure that they do not have a negative impact on the Company.

In accordance with the ASX Principle 7, the Board has an established Risk Management policy which is available on the Company website which is designed to safeguard the assets and interests of the Company and to ensure the integrity of reporting.

Corporate Governance Statement

for the year ended 30 June 2011

The CEO and General Manager - Finance & Administration will inform the Board annually in writing that:

- The sign off given on the financial statements is founded on a sound system of risk management and internal control compliance which implements the policies adopted by the Board.
- The Company's risk management and internal compliance and control systems is operating effectively and efficiently in all material respects.

The Board has established the following Sub Committees to assist in internal control and business risk management:

- Audit Committee
- Remuneration and Nomination Committee
- Environment and Community Development Committee
- Safety, Security and Occupational Health Committee
- Financial Risk Management Committee

The function of the Audit Committee and the Remuneration and Nomination Committee are outlined above. The function of the other Committees noted above are as follows:

ENVIRONMENT AND COMMUNITY DEVELOPMENT COMMITTEE

The main responsibility of this Committee is to monitor and review RML's environmental performance and compliance with relevant legislation and oversee Community Relations.

Information on compliance with significant environmental regulations is set out in the Directors' Report.

SAFETY, SECURITY AND OCCUPATIONAL HEALTH COMMITTEE

The main functions of this Committee are to oversee an employee education program designed to increase employee awareness of safety, security and health issues in the workplace and monitor safety statistics and report to the Board on the results of incident investigations.

FINANCIAL RISK MANAGEMENT COMMITTEE

The main responsibility of this Committee is to oversee risk management strategies in relation to gold hedging, currency hedging, debt management, capital management, cash management, insurance and tax risk management.

The Board members and their attendance at meetings is outlined in the Directors' Report. Senior members of management who specialise in each area also form part of the respective Committees.

12. REMUNERATION POLICIES

This policy governs the operations of the Remuneration and Nomination Committee. The Committee reviews and reassesses the policy at least annually and obtains the approval of the Board.

The Remuneration and Nomination Committee are responsible for developing measurable objectives and evaluating progress against these objectives.

In accordance with best governance practice a diversity policy has been established which includes the review of diversity within RML by considering board composition, executive composition and employee composition by gender.

The details of the Directors' and Officers' remuneration policies are provided in the Directors' Report under the heading "Remuneration Report".

Consolidated Statement of Comprehensive Income

for the year ended 30 June 2011

	NOTE	CONSOLIDATED 2011 $'000	CONSOLIDATED 2010 $'000
Continuing Operations			
Revenue from gold sales	2(a)	445,055	342,484
Costs of production relating to gold sales	2(b)	(293,499)	(229,007)
Gross profit before depreciation, amortisation and other operating costs		151,556	113,477
Depreciation and amortisation relating to gold sales	2(c)	(62,391)	(43,141)
Other operating costs relating to gold sales	2(d)	(23,276)	(16,565)
Gross profit		65,889	53,771
Other revenue	2(e)	329	294
Other income	2(f)	1,316	10,098
Exploration expenditure		(8,726)	(9,280)
Share of associate's loss	15(b)	(800)	(258)
Administration and other expenses	2(g)	(9,757)	(7,576)
Profit before treasury, tax and finance costs		48,251	47,049
Finance costs	2(h)	(19,597)	(11,220)
Profit before treasury and tax		28,654	35,829
Treasury - movement on gold forward contracts closed out	18	34,742	-
Treasury - other realised (losses)/gains	2(i)	(4,574)	195
Treasury - unrealised gains/(losses)	2(j)	730	(75,976)
Profit/(loss) before income tax		**59,552**	**(39,952)**
Tax expense	3	(16,622)	(16,619)
Profit/(loss) for the year		**42,930**	**(56,571)**
Profit/(loss) attributable to:			
Members of the parent		59,700	(37,173)
Non-controlling interest		(16,770)	(19,398)
		42,930	**(56,571)**

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Statement of Comprehensive Income (continued)

for the year ended 30 June 2011

	NOTE	CONSOLIDATED 2011 $'000	2010 $'000
Profit/(loss) for the year (brought forward)		**42,930**	**(56,571)**
Other comprehensive (loss)/income			
Exchange differences on translation of foreign operations:			
- Members of the parent		(23,826)	1,538
- Transferred to profit and loss - disposed subsidiaries		-	(1,886)
- Non-controlling interest		1,438	1,607
Cash flow hedges: Transfer to profit and loss, net of tax		-	(5,343)
Changes in the fair value of available for sale financial assets, net of tax		(52)	(200)
Other comprehensive loss for the period, net of tax		(22,440)	(4,284)
Total comprehensive income/(loss) for the period		**20,490**	**(60,855)**
Total comprehensive income/(loss) attributable to:			
Members of the parent		35,822	(43,064)
Non-controlling interest		(15,332)	(17,791)
		20,490	**(60,855)**
Earnings per share for net profit/(loss) attributable to the ordinary equity holders of the parent:			
Basic earnings/(loss) per share	33	**13.42**	**(9.90)**
Diluted earnings/(loss) per share	33	**10.97**	**(9.90)**

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

as at 30 June 2011

	NOTE	CONSOLIDATED 2011 $'000	CONSOLIDATED 2010 $'000
Current assets			
Cash	5	11,213	18,259
Receivables - gold bullion sales		14,465	9,662
Receivables - other	6	4,033	6,533
Inventories	7	96,464	85,754
Available for sale financial assets	8	692	818
Financial derivative assets	9	11	89
Other	10	3,270	3,866
Total current assets		**130,148**	**124,981**
Non current assets			
Receivables	6	3,769	4,083
Financial derivative assets	9	-	901
Exploration and evaluation expenditure	11	9,045	10,970
Development expenditure	12	219,329	231,030
Property, plant and equipment	13	190,878	221,274
Deferred mining costs	14	20,585	13,504
Investment in associate	15	5,092	5,892
Total non current assets		**448,698**	**487,654**
Total assets		**578,846**	**612,635**
Current liabilities			
Payables	16	47,433	47,652
Interest bearing liabilities	17	23,539	29,445
Tax liabilities		2,725	3,454
Financial liabilities	18	18,910	92,075
Provisions	19	14,455	10,933
Total current liabilities		**107,062**	**183,559**
Non current liabilities			
Interest bearing liabilities	17	78,341	93,300
Financial liabilities	18	-	21,026
Provisions	19	38,000	28,624
Deferred tax liabilities	3	1,125	3,049
Other	20	-	37
Total non current liabilities		**117,466**	**146,036**
Total liabilities		**224,528**	**329,595**
Net assets		**354,318**	**283,040**

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position (continued)

as at 30 June 2011

	NOTE	CONSOLIDATED 2011 $'000	2010 $'000
Equity attributable to equity holders of the parent			
Contributed equity	21	287,125	237,083
Reserves	22	(442)	22,690
Retained earnings	23	100,758	41,058
Parent interest		**387,441**	**300,831**
Non-controlling interest		**(33,123)**	**(17,791)**
Total equity		**354,318**	**283,040**

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

for the year ended 30 June 2011

AT 1 JULY 2010	ORDINARY SHARES	NET UNREALISED GAIN/(LOSS) RESERVE	CONVERTIBLE NOTES EQUITY RESERVE	SHARE OPTIONS EQUITY RESERVE	EMPLOYEE EQUITY BENEFITS RESERVE
	$'000	$'000	$'000	$'000	$'000
	237,083	164	14,233	5,987	2,021
Net profit/(loss) for the year	-	-	-	-	-
Other comprehensive (loss)/income, net of tax	-	(52)	-	-	-
Total comprehensive (loss)/income for the period, net of tax	-	(52)	-	-	-
Transactions with owners					
Shares issued	53,107	-	-	-	-
Share issue costs	(3,065)	-	-	-	-
Equity portion of compound financial instruments, net of tax and transaction costs	-	-	(469)	-	-
Share-based payments to employees	-	-	-	-	1,215
At 30 June 2011	287,125	112	13,764	5,987	3,236

AT 1 JULY 2009	ORDINARY SHARES	NET UNREALISED GAIN/(LOSS) RESERVE	HEDGE RESERVE FORWARDS GAIN/(LOSS)	CONVERTIBLE NOTES EQUITY RESERVE	SHARE OPTIONS EQUITY RESERVE
	$'000	$'000	$'000	$'000	$'000
	209,680	364	5,343	3,492	4,064
Net loss for the year	-	-	-	-	-
Other comprehensive (loss)/income, net of tax	-	(200)	(5,343)	-	-
Total comprehensive loss for the period, net of tax	-	(200)	(5,343)	-	-
Transactions with owners					
Shares issued	28,446	-	-	-	-
Share issue costs	(1,043)	-	-	-	-
Options issued to convertible note holders and shareholders, net of tax	-	-	-	-	1,923
Equity portion of compound financial instruments, net of tax and transaction costs	-	-	-	10,741	-
Share-based payments to employees	-	-	-	-	-
At 30 June 2010	**237,083**	**164**	**-**	**14,233**	**5,987**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity (continued)

for the year ended 30 June 2011

FOREIGN CURRENCY TRANSLATION RESERVE	RETAINED EARNINGS	NON-CONTROLLING INTEREST	TOTAL
$'000	$'000	$'000	$'000
285	41,058	(17,791)	283,040
-	59,700	(16,770)	42,930
(23,826)	-	1,438	(22,440)
(23,826)	59,700	(15,332)	20,490
-	-	-	53,107
-	-	-	(3,065)
-	-	-	(469)
-	-	-	1,215
(23,541)	100,758	(33,123)	354,318

EMPLOYEE EQUITY BENEFITS RESERVE	FOREIGN CURRENCY TRANSLATION RESERVE	RETAINED EARNINGS	NON-CONTROLLING INTEREST	TOTAL
$'000	$'000	$'000	$'000	$'000
1,499	633	78,231	-	303,306
-	-	(37,173)	(19,398)	(56,571)
-	(348)	-	1,607	(4,284)
-	(348)	(37,173)	(17,791)	(60,855)
-	-	-	-	28,446
-	-	-	-	(1,043)
-	-	-	-	1,923
-	-	-	-	10,741
522	-	-	-	522
2,021	**285**	**41,058**	**(17,791)**	**283,040**

Consolidated Cash Flow Statement

for the year ended 30 June 2011

	NOTE	CONSOLIDATED 2011 $'000	CONSOLIDATED 2010 $'000
Cash flows from operating activities			
Receipts from customers		440,378	325,447
Payments to suppliers, employees and others		(353,220)	(273,080)
Income tax paid		(15,825)	(8,398)
Exploration expenditure		(8,649)	(9,280)
Interest paid		(4,373)	(3,188)
Interest received		329	290
Net cash flows from operating activities	28	58,640	31,791
Cash flows from investing activities			
Payments for property, plant & equipment		(20,415)	(13,280)
Proceeds from property, plant & equipment		71	48
Payments for development costs		(13,225)	(41,053)
Other		(673)	284
Net cash flows from investing activities		(34,242)	(54,001)
Cash flows from financing activities			
Proceeds from issuing ordinary shares		41,826	18,900
Costs of issuing ordinary shares		(3,065)	(1,038)
Proceeds from issuing convertible notes		-	23,864
Costs of issuing convertible notes		-	(1,332)
Proceeds from issuing options		-	1,322
Costs from issuing options		-	(67)
Payments for close-out of derivatives funded with proceeds from issuing ordinary shares		(30,368)	-
Repayment of borrowings		(44,243)	(11,815)
Repayment of lease liability		(2,705)	(2,561)
Proceeds from finance facility		6,750	-
Net cash flows from financing activities		(31,805)	27,273
Net (decrease)/increase in cash and cash equivalents		**(7,407)**	**5,063**
Cash and cash equivalents at the beginning of the financial period		11,900	6,880
Exchange rate adjustment		(822)	(43)
Cash and cash equivalents at the end of the period	5	**3,671**	**11,900**
Cash and cash equivalents comprise the following:			
Cash		11,213	18,259
Bank overdraft		(7,542)	(6,359)
		3,671	11,900

The above consolidated cash flow statement should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

CORPORATE INFORMATION

The financial report of Resolute Mining Limited ("consolidated entity" or the "Group") for the year ended 30 June 2011 was authorised for issue in accordance with a resolution of the Directors on 22 September 2011.

Resolute Mining Limited (the parent) is a company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange.

The principal activities of entities within the consolidated entity during the year were:

- Gold mining; and,
- prospecting and exploration for minerals.

There has been no significant change in the nature of those activities during the year.

NOTE 1: BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes financial information for Resolute Mining Limited ("RML") as an individual entity and the consolidated entity consisting of RML and its subsidiaries. Where appropriate, comparative information has been reclassified.

(A) BASIS OF PREPARATION

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Board and the *Corporations Act 2001*.

Compliance statement

The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. Accounting policies adopted are consistent with those of the previous year.

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities (including derivative instruments) at fair value through profit and loss.

(B) PRINCIPLES OF CONSOLIDATION

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of RML as at 30 June 2011 and the results of all subsidiaries for the year then ended. RML and its subsidiaries together are referred to in this financial report as the "Group" or the "consolidated entity". Interests in associates are equity accounted and are not part of the consolidated Group.

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights.

The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. The acquisition method of accounting involves recognising at acquisition date, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The identifiable assets acquired and the liabilities assumed are measured at their acquisition date fair values.

The difference between the above items and the fair value of the consideration (including the fair value of any pre-existing investment in the acquiree) is goodwill or a discount on acquisition.

Intercompany transactions, balances and unrealised gains on transactions between Group entities are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred.

Accounting policies of subsidiaries have been changed were necessary to ensure consistency with the policies adopted by the Group.

(ii) Joint Ventures

Jointly controlled assets

The proportionate interests in the assets, liabilities and expenses of a joint venture activity have been incorporated in the financial statements under the appropriate headings.

(C) SEGMENT REPORTING

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision makers to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This includes start up operations which are yet to earn revenues. Management will also consider other factors in determining operating segments such as the level of segment information presented to the board of directors.

Operating segments have been identified based on the information provided to the chief operating decision makers – being the executive management team.

Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately.

Notes to the Financial Statements

NOTE 1: BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(C) SEGMENT REPORTING (CONTINUED)

However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements.

Information about other business activities and operating segments that are below the quantitative criteria are combined and disclosed in a separate category.

(D) FOREIGN CURRENCY TRANSLATION

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The consolidated financial statements are presented in Australian dollars, which is Resolute Mining Limited's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

(iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each consolidated statement of financial position presented are translated at the closing rate at the date of that consolidated statement of financial position;
- income and expenses for each consolidated statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and,
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold or borrowings repaid, a proportionate share of such exchange differences are recognised in the consolidated statement of comprehensive income as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(E) REVENUE RECOGNITION

(i) Gold sales

Revenue is recognised when the risk and reward of ownership has passed from the Group to an external party and the selling price can be determined with reasonable accuracy. Sales revenue represents gross proceeds receivable from the customer. Certain sales are initially recognised at estimated sales value when the gold is dispatched.

Revenue from the sale of by-products such as silver is included in sales revenue.

(ii) Interest

Revenue is recognised as interest accrues using the effective interest method.

(F) BORROWING COSTS

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed and are included in profit or loss as part of borrowing costs.

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the entity's outstanding borrowings during the period.

(G) INCOME TAX

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and by unused tax losses (if appropriate).

Deferred income tax is provided on all temporary differences at the consolidated statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Notes to the Financial Statements

NOTE 1: BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(G) INCOME TAX (CONTINUED)

Deferred income tax liabilities are recognised for all taxable temporary differences:

- except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting nor taxable profit or loss; and,
- in respect of taxable temporary differences associated with investments in subsidiaries and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses, to the extent it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:

- except where the deferred income tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting nor taxable profit or loss; and,
- in respect of deductible temporary differences associated with investments in subsidiaries and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each consolidated statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Tax consolidation legislation

RML and its wholly-owned Australian controlled entities implemented the tax consolidation legislation as of 1 July 2002.

Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of GST except:

- Where the GST incurred on the purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and,
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statement of financial position.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

(H) EARNINGS PER SHARE ("EPS")

Basic EPS is calculated as net profit attributable to members, adjusted to exclude costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted EPS is calculated as the net profit attributable to members, adjusted for:

- costs of servicing equity (other than dividends) and;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and,
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares.

Divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(I) CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash on hand and deposits held at financial institutions at call. Bank overdrafts are shown within borrowings in current liabilities on the consolidated statement of financial position.

(J) RECEIVABLES

Trade receivables are recognised at fair value less a provision for any uncollectible debts. Trade receivables are due for settlement no more than 30 days from the date of recognition. Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the transaction. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the consolidated statement of comprehensive income.

Receivables from related parties are recognised and carried at the nominal amount due. Where interest is charged it is taken up as income in profit and loss and included in other income.

Notes to the Financial Statements

NOTE 1: BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(K) INVENTORIES

Finished goods, gold in circuit and stockpiles of unprocessed ore are stated at the lower of cost and estimated net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to ore stockpiles and gold in circuit items of inventory on the basis of weighted average costs. Net realisable value is the estimated selling price in the ordinary course of business (excluding derivatives) less the estimated costs of completion and the estimated costs necessary to make the sale.

Consumables have been valued at cost less an appropriate provision for obsolescence. Cost is determined on a first-in-first-out basis.

(L) INVESTMENTS AND OTHER FINANCIAL ASSETS

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at each reporting date.

(i) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss on initial recognition. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. The policy of management is to designate a financial asset if there exists the possibility it will be sold in the short term and the asset is subject to frequent changes in fair value. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the consolidated statement of financial position date.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the consolidated statement of financial position date which are classified as non-current assets. Loans and receivables are included in receivables in the consolidated statement of financial position.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity.

(iv) Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the consolidated statement of financial position date.

Purchases and sales of investments are recognised on trade-date - the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the consolidated statement of comprehensive income in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in equity in the available-for-sale investments revaluation reserve. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the consolidated statement of comprehensive income as gains and losses from investment securities.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include reference to the fair values of recent arm's length transactions, involving the same instruments or other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit and loss - is removed from equity and recognised in the consolidated statement of comprehensive income. Impairment losses recognised in the consolidated statement of comprehensive income on equity instruments are not reversed through the consolidated statement of comprehensive income.

Notes to the Financial Statements

NOTE 1: BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(M) INVESTMENTS IN ASSOCIATES

The Group's investment in associates is accounted for using the equity method of accounting in the consolidated financial statements and at cost. An associate is an entity over which the Group has significant influence and that are neither subsidiaries nor joint ventures.

The Group generally deems they have significant influence if they have over 20% of voting rights.

Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associates. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. After application of the equity method, the Group determines whether it is necessary to recognise any impairment loss with respect to the Group's net investment in associates. Goodwill included in the carrying amount of the investment in associate is not tested separately, rather the entire carrying amount of the investment is tested for impairment as a single asset. If an impairment is recognised, the amount is not allocated to the goodwill of the associate.

The Group's share of its associates' post-acquisition profits or losses is recognised in the statement of comprehensive income, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised in the parent entity's statement of comprehensive income as a component of other income.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivables and loans, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The Group makes any adjustments to the performance and position of the associate where appropriate in order to allow for differences in the accounting policies of the Group and those of the associate.

(N) DERIVATIVES

The Group uses derivative financial instruments such as gold options; gold forward contracts and interest rate swaps to manage the risks associated with commodity price and interest rate fluctuations.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently measured to their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either; (1) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or (2) hedges of highly probable forecast transactions (cash flow hedges).

The fair value of derivative financial instruments that are traded on an active market is based on quoted market prices at the consolidated statement of financial position date. The fair value of financial instruments not traded on an active market is determined using appropriate valuation techniques.

At the inception of the transaction, the Group documents the relationship between hedge instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items. Refer to Note 36 for treatment of the Group's gold contracts.

(i) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the consolidated statement of comprehensive income, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

(ii) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the consolidated statement of comprehensive income.

Amounts accumulated in equity are recycled in the consolidated statement of comprehensive income in the periods when the hedged item will affect profit or loss (for instance when the forecast sale that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non financial asset (for example, inventory) or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the measurement of the initial cost or carrying amount of the asset or liability.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the consolidated statement of comprehensive income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the consolidated statement of comprehensive income.

(iii) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the consolidated statement of comprehensive income.

Notes to the Financial Statements

NOTE 1: BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(O) DEFERRED MINING COSTS

In mining operations, it is necessary to remove overburden and other barren waste materials to access ore from which minerals can economically be extracted. The process of mining overburden and waste materials is referred to as stripping. Stripping costs incurred before production commences are included within capitalised mine development expenditure and subsequently amortised. The Group defers stripping costs incurred subsequently during the production stage of operation.

Stripping ratios are a function of the quantity of ore mined compared with the quantity of overburden, or waste required to be removed to mine the ore. Deferral of the post production costs to the consolidated statement of financial position is made, where appropriate, when actual stripping ratios vary from average life of mine ratios. Deferral of costs to the consolidated statement of financial position is not made when the waste to ore ratio is expected to be consistent throughout the life of the mine.

Costs which have previously been deferred to the consolidated statement of financial position are recognised in the Consolidated statement of comprehensive income on a unit of production basis utilising average stripping ratios. Changes in estimates of average stripping ratios are accounted for prospectively from the date of the change.

As it is not possible to separately identify cash inflows relating to deferred overburden removal costs, such assets are grouped with other assets or a cash generating unit for the purposes of undertaking impairment assessments, where necessary, based on future cash flows for the operation as a whole.

(P) MINERAL EXPLORATION AND EVALUATION INTERESTS

Exploration expenditure is expensed to the consolidated statement of comprehensive income as and when it is incurred and included as part of cash flows from operating activities. Exploration costs are only capitalised to the consolidated statement of financial position if they result from an acquisition.

Evaluation expenditure is capitalised to the consolidated statement of financial position. Evaluation is deemed to be activities undertaken from the beginning of the pre-feasibility study conducted to assess the technical and commercial viability of extracting a mineral resource before moving into the Development phase (see note 1(q) Development expenditure). The criteria for carrying forward the costs are:

- Such costs are expected to be recouped through successful development and exploitation of the area of interest, or alternatively by its sale; or
- evaluation activities in the area of interest which has not yet reached a state which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area are continuing.

Costs carried forward in respect of an area of interest which is abandoned are written off in the year in which the abandonment decision is made.

(Q) DEVELOPMENT EXPENDITURE

(i) Areas in Development

Areas in development represent the costs incurred in preparing mines for production including the required plant infrastructure. The costs are carried forward to the extent that these costs are expected to be recouped through the successful exploitation of the Company's mining leases.

(ii) Areas in Production

Areas in production represent the accumulation of all acquired exploration, evaluation and development expenditure incurred by or on behalf of the entity in relation to areas of interest in which economic mining of a mineral reserve has commenced. Amortisation of costs is provided on the unit-of-production method, with separate calculations being made for each mineral resource. The unit-of-production basis results in an amortisation charge proportional to the depletion of the economically recoverable mineral reserves.

The net carrying value of each mine property is reviewed regularly and, to the extent to which this value exceeds its recoverable amount, that excess is fully provided against in the financial year in which this is determined.

(R) PROPERTY, PLANT AND EQUIPMENT

(i) Cost and Valuation

Property, plant and equipment are stated at cost less any accumulated depreciation and any impairment losses.

The cost of an item of property, plant and equipment comprises:

- Its purchase price, including import duties and non refundable purchase taxes, after deducting trade discounts and rebates;
- Any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management; and,
- The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

(ii) Depreciation

Depreciation is provided on a straight-line basis on all property plant and equipment other than land. Major depreciation periods are:

	LIFE	METHOD
Motor Vehicles	3 Years	Straight line
Office Equipment	3 Years	Straight line
Plant and equipment	Life of mine years	Straight line

Notes to the Financial Statements

NOTE 1: BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(R) PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(iii) Impairment

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater of the fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(S) LEASES

Finance leases, which effectively transfer to the consolidated entity all of the risks and benefits incidental to ownership of the leased item, are capitalised at the present value of the minimum lease payments, disclosed as leased property, plant and equipment, and amortised over the period the consolidated entity is expected to benefit from the use of the leased assets. Lease payments are allocated between interest expense and reduction in the lease liability.

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charges directly against income.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiation of an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as the lease income.

Operating lease payments are recognised as an expense in the consolidated statement of comprehensive income over the lease term.

(T) BUSINESS COMBINATIONS

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination shall be measured at fair value, which shall be calculated as the sum of the acquisition date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity issued by the acquirer, and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured at fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with AASB 139 either in profit or loss or in other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured.

(U) RECOVERABLE AMOUNT OF ASSETS

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired.

Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to is recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which it belongs.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to that asset.

(V) PAYABLES

Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the consolidated entity.

Payables to related parties are carried at the principal amount. Interest, when charged by the lender, is recognised as an expense on an accruals basis.

(W) INTEREST-BEARING LIABILITIES

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing.

After initial recognition, interest bearing liabilities are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Notes to the Financial Statements

NOTE 1: BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(W) INTEREST-BEARING LIABILITIES (CONTINUED)

Gains and losses are recognised in the consolidated statement of comprehensive income when the liabilities are derecognised and as well as through the amortisation process. Treatment of borrowing costs is outlined in note 1(f).

The component of convertible notes that exhibit characteristics of a liability are recognised as a liability in the consolidated statement of financial position, net of transaction costs.

On issuance of the convertible notes, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond and that amount is carried as a long-term liability on an amortised cost basis until extinguished on conversion or redemption. The accretion of the liability due to the passage of time is recognised as a finance cost.

Compound financial instruments

The remainder of the proceeds received from the issue of the convertible notes are allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not re-measured in subsequent periods.

Interest on the liability component of the instruments is recognised as an expense in the consolidated statement of comprehensive income except for when the borrowing costs are associated with a qualifying asset, in which case the borrowing costs are capitalised and amortised over the useful life of the qualifying asset.

Transaction costs relating to the convertible note issues are apportioned between the liability and equity components of the convertible notes, based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(X) PROVISIONS

Provisions are recognised when the Group has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

The consolidated entity records the present value of the estimated cost of legal and constructive obligations (such as those under the consolidated entity's Environmental Policy) to restore operating locations in the period in which the obligation is incurred. The nature of restoration activities includes dismantling and removing structures, rehabilitating mines, dismantling operating facilities, closure of plant and waste sites and restoration, reclamation and revegetation of affected areas.

Typically the obligation arises when the asset is installed at the production location. When the liability is initially recorded, the estimated cost is capitalised by increasing the carrying amount of the related mining assets. Over time, the liability is increased for the change in the present value based on the discount rates that reflect the current market assessments and the risks specific to the liability. Additional disturbances or changes in rehabilitation costs will be recognised as additions or changes to the corresponding asset and rehabilitation liability when incurred.

(Y) EMPLOYEE BENEFITS

(i) Wages, Salaries and Annual Leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave are recognised in other creditors in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

(ii) Long service leave

The liability for long service leave expected to be settled within 12 months of the reporting date is recognised in the provision for employee benefits and is measured in accordance with (i) above. The liability for long service leave expected to be settled more than 12 months from the reporting date is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) Termination Gratuity and Relocation

Liabilities for Termination Gratuity and Relocation payments are recognised and are measured as the present value of expected future payments to be made in respect of employees up to the reporting date.

(iv) Share based payments

Equity-based compensation benefits are provided to employees via the Group's share option plan. The Group determines the fair value of options issued to directors, executives and members of staff as remuneration and recognises that amount as an expense in the consolidated statement of comprehensive income over the vesting period with a corresponding increase in equity.

The fair value at grant date is independently determined using a Black Scholes option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

Notes to the Financial Statements

NOTE 1: BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(Y) EMPLOYEE BENEFITS (CONTINUED)

The fair value of the options granted excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each consolidated statement of financial position date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

(v) Superannuation

Contributions made by the Group to employee superannuation funds are charged to the consolidated statement of comprehensive income in the period employees' services are provided.

(Z) CONTRIBUTED EQUITY

Issued and paid up capital is recognised at the fair value of the consideration received by the Company.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(AA) FINANCIAL GUARANTEES

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with AASB 137 Provisions, Contingent Liabilities and Contingent Assets and the amount initially recognised less cumulative amortisation, where appropriate.

(AB) SIGNIFICANT ACCOUNTING JUDGEMENTS

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

(i) Determination of mineral resources and ore reserves

The determination of reserves impacts the accounting for asset carrying values, depreciation and amortisation rates, deferred stripping costs and provisions for decommissioning and restoration. The information in this report as it relates to ore reserves, mineral resources or mineralisation is reported in accordance with the Aus.IMM "Australian Code for reporting of Identified Mineral Resources and Ore Reserves". The information has been prepared by or under supervision of competent persons as identified by the Code.

There are numerous uncertainties inherent in estimating mineral resources and ore reserves and assumptions that are valid at the time of estimation may change significantly when new information becomes available.

Changes in the forecast prices of commodities, exchange rates, production costs or recovery rates may change the economic status of reserves and may, ultimately, result in the reserves being restated.

(AC) SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

(i) Impairment of capitalised mine development expenditure

The future recoverability of capitalised mine development expenditure is dependent on a number of factors, including the level of proved and probable reserves and measured, indicated and inferred mineral resources, future technological changes which could impact the cost of mining, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

To the extent that capitalised mine development expenditure is determined not to be recoverable in the future, this will reduce profits and net assets in the period in which this determination is made.

(ii) Life-of-mine stripping ratio

The Group has adopted a policy of deferring production stage stripping costs and amortising them in accordance with the life-of-mine strip ratio. Significant judgement is required in determining this ratio for each mine. Factors that are considered include:

- Any proposed changes in the design of the mine;
- estimates of the quantities of ore reserves and mineral resources for which there is a high degree of confidence of economic extraction;
- future production levels;
- future commodity prices; and,
- future cash costs of production and capital expenditure.

(iii) Provisions for decommissioning and restoration costs

Decommissioning and restoration costs are a normal consequence of mining, and the majority of this expenditure is incurred at the end of a mine's life. In determining an appropriate level of provision consideration is given to the expected future costs to be incurred, the timing of these expected future costs (largely dependent on the life of the mine), and the estimated future level of inflation. The discount rate used in the calculation of these provisions is consistent with the risk free rate.

The ultimate cost of decommissioning and restoration is uncertain and costs can vary in response to many factors including changes to the relevant legal requirements, the emergence of new restoration techniques or experience at other mine-sites. The expected timing of expenditure can also change, for example in response to changes in reserves or to production rates.

Notes to the Financial Statements

NOTE 1: BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(AC) SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS (CONTINUED)

Changes to any of the estimates could result in significant changes to the level of provisioning required, which would in turn impact future financial results.

(iv) Recoverability of potential deferred income tax assets

The Group recognises deferred income tax assets in respect of tax losses and temporary differences to the extent that it is probable that the future utilisation of these losses and temporary differences is considered probable. Assessing the future utilisation of these losses and temporary differences requires the Group to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws. To the extent that future cash flows and taxable income differ significantly from estimates, this could result in significant changes to the deferred income tax assets recognised, which would in turn impact future financial results.

(v) Share based payments

The Group measures the cost of cash settled transactions with employees by reference to the fair value at the grant date using the Black Scholes formula taking into account the terms and conditions upon which the instruments were granted, as discussed in Note 31(b).

(vi) Fair value of derivative financial instruments

The Group assesses the fair value of its financial derivatives in accordance with the accounting policy stated in Note 1(n). Fair values have been determined based on well established valuation models and market conditions existing at the balance date. These calculations require the use of estimates and assumptions. Changes in assumptions concerning interest rates, gold prices and volatilities could have significant impact on the fair valuation attributed to the Group's financial derivatives. When these assumptions change or become known in the future, such differences will impact asset and liability carrying values in the period in which they change or become known.

(vii) Significant estimate in determining the beginning of production

Considerations are made in the determination of the point at which development ceases and production commences for a mine development project. This point determines the cut-off between pre-production and production accounting.

The Group ceases capitalising pre-production costs and begins depreciation and amortisation of mine assets at the point commercial production commences. This is based on the specific circumstances of the project, and considers when the mine's plant becomes 'available for use' as intended by management. Determining when the production start date is achieved is an assessment made by management and includes the following factors:

- the level of redevelopment expenditure compared to project cost estimates;
- completion of a reasonable period of testing of the mine plant and equipment;
- mineral recoveries, availability and throughput levels at or near expected/budgeted levels;
- the ability to produce gold into a saleable form (where more than an insignificant amount is produced); and,
- the achievement of continuous production.

Any revenues occurring during the pre-production period are capitalised and offset the capitalised development costs.

(AD) NEW ACCOUNTING STANDARDS AND UIG INTERPRETATIONS

From 1 July 2010 the Group has adopted all new and revised Australian Accounting Standards and Interpretations mandatory for reporting periods beginning on or after 1 July 2010, including:

- *AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project*

  Impact: The Group has adopted the amendment to AASB 107 and only classifies expenditure that has resulted in the recognition of an asset in the Statement of Financial Position as investing activities in the Consolidated Cash Flow Statement.

  The amendments to AASB 117 do not have any impact on the classification of any land leases held by the Group.

- *AASB 2009-8 Amendments to Australian Accounting Standards arising from AASB 2*

  The amendments require that an entity receiving goods or services in a share-based payment arrangement to account for those goods or services no matter which entity in the group settles the transaction in shares or cash.

  Impact: The amendments do not have any impact on the Group as it does not enter into any transactions where one entity receives or acquires goods or services while another entity settles the transaction by way of issuing equity instruments.

- *AASB 2009-10 Amendments to Australian Accounting Standards arising from AASB 132*

  The amendments reclassify certain options and warrants as equity instruments rather than financial liabilities resulting in the reversal of amounts that were previously recognised in the Consolidated Statement of Comprehensive Income.

  Impact: The amendments do not have any impact on the Group's options that are on issue.

- *Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments*

  The interpretation clarifies that equity instruments issued to extinguish a financial liability are "consideration paid" in accordance with IAS 39(41) and will result in de-recognition of the financial liability.

  Impact: The interpretation does not change the way in which the Group accounts for such transactions.

Notes to the Financial Statements

NOTE 1: BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(AD) NEW ACCOUNTING STANDARDS AND UIG INTERPRETATIONS (CONTINUED)

- *AASB 2010-3 Amendments to Australian Accounting Standards arising from the Annual Improvements Project*

  The amendment limits the scope of the measurement choices of non-controlling interest to instruments that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. Other components of NCI are measured at fair value.

  Impact: The amendments do not have any impact on the methodology used to calculate the non-controlling interest in the Group.

(i) The following new accounting standards have been issued or amended but are not yet effective. These standards have not been adopted by the Group for the period ended 30 June 2011, and no change to the Group's accounting policies are required:

REFERENCE	TITLE	SUMMARY	APPLICATION DATE OF STANDARD*	APPLICATION DATE FOR GROUP*
AASB 9	Financial Instruments	AASB 9 includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement (AASB 139 Financial Instruments: Recognition and Measurement). These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes from AASB 139 are described below. (a) Financial assets are classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows. This replaces the numerous categories of financial assets in AASB 139, each of which had its own classification criteria. (b) AASB 9 allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument. (c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.	1 January 2013	1 July 2013
AASB 2009-11	Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12]	▸ These amendments arise from the issuance of AASB 9 *Financial Instruments* that sets out requirements for the classification and measurement of financial assets. The requirements in AASB 9 form part of the first phase of the International Accounting Standards Board's project to replace IAS 39 *Financial Instruments: Recognition and Measurement*. ▸ This Standard shall be applied when AASB 9 is applied.	1 January 2013	1 July 2013

Notes to the Financial Statements

NOTE 1: BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

REFERENCE	TITLE	SUMMARY	APPLICATION DATE OF STANDARD*	APPLICATION DATE FOR GROUP*
AASB 124 (Revised)	Related Party Disclosures (December 2009)	The revised AASB 124 simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition, including: (a) The definition now identifies a subsidiary and an associate with the same investor as related parties of each other (b) Entities significantly influenced by one person and entities significantly influenced by a close member of the family of that person are no longer related parties of each other (c) The definition now identifies that, whenever a person or entity has both joint control over a second entity and joint control or significant influence over a third party, the second and third entities are related to each other A partial exemption is also provided from the disclosure requirements for government-related entities. Entities that are related by virtue of being controlled by the same government can provide reduced related party disclosures.	1 January 2011	1 July 2011
AASB 2009-12	Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052]	This amendment makes numerous editorial changes to a range of Australian Accounting Standards and Interpretations. In particular, it amends AASB 8 *Operating Segments* to require an entity to exercise judgement in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. It also makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRS by the IASB.	1 January 2011	1 July 2011
AASB 2009-14	Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement	These amendments arise from the issuance of Prepayments of a Minimum Funding Requirement (Amendments to IFRIC 14). The requirements of IFRIC 14 meant that some entities that were subject to minimum funding requirements could not treat any surplus in a defined benefit pension plan as an economic benefit. The amendment requires entities to treat the benefit of such an early payment as a pension asset. Subsequently, the remaining surplus in the plan, if any, is subject to the same analysis as if no prepayment had been made.	1 January 2011	1 July 2011

Notes to the Financial Statements

NOTE 1: BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

REFERENCE	TITLE	SUMMARY	APPLICATION DATE OF STANDARD*	APPLICATION DATE FOR GROUP*
AASB 1053	Application of Tiers of Australian Accounting Standards	This Standard establishes a differential financial reporting framework consisting of two Tiers of reporting requirements for preparing general purpose financial statements: (a) Tier 1: Australian Accounting Standards (b) Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements Tier 2 comprises the recognition, measurement and presentation requirements of Tier 1 and substantially reduced disclosures corresponding to those requirements. The following entities apply Tier 1 requirements in preparing general purpose financial statements: (a) For-profit entities in the private sector that have public accountability (as defined in this Standard) (b) The Australian Government and State, Territory and Local Governments The following entities apply either Tier 2 or Tier 1 requirements in preparing general purpose financial statements: (a) For-profit private sector entities that do not have public accountability (b) All not-for-profit private sector entities (c) Public sector entities other than the Australian Government and State, Territory and Local Governments	1 July 2013	1 July 2013
AASB 1054	Australian Additional Disclosures	This standard is as a consequence of phase 1 of the joint Trans-Tasman Convergence project of the AASB and FRSB. This standard relocates all Australian specific disclosures from other standards to one place and revises disclosures in the following areas: (a) Compliance with Australian Accounting Standards (b) The statutory basis or reporting framework for financial statements (c) Whether the financial statements are general purpose or special purpose (d) Audit fees (e) Imputation credits	1 July 2011	1 July 2011
AASB 2010-2	Amendments to Australian Accounting Standards arising from reduced disclosure requirements	This Standard makes amendments to many Australian Accounting Standards, reducing the disclosure requirements for Tier 2 entities, identified in accordance with AASB 1053, preparing general purpose financial statements.	1 July 2013	1 July 2013

Notes to the Financial Statements

NOTE 1: BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

REFERENCE	TITLE	SUMMARY	APPLICATION DATE OF STANDARD*	APPLICATION DATE FOR GROUP*
AASB 2010-4	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101, AASB 134 and Interpretation 13]	Emphasises the interaction between quantitative and qualitative AASB 7 disclosures and the nature and extent of risks associated with financial instruments. Clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. Provides guidance to illustrate how to apply disclosure principles in AASB 134 for significant events and transactions. Clarifies that when the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the award credit scheme, is to be taken into account.	1 January 2011	1 July 2011
AASB 2010-5	Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042]	This Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRS by the IASB. These amendments have no major impact on the requirements of the amended pronouncements.	1 January 2011	1 July 2011
AASB 2010-6	Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets [AASB 1 & AASB 7]	The amendments increase the disclosure requirements for transactions involving transfers of financial assets. Disclosures require enhancements to the existing disclosures in IFRS 7 where an asset is transferred but is not derecognised and introduce new disclosures for assets that are derecognised but the entity continues to have a continuing exposure to the asset after the sale.	1 July 2011	1 July 2011

Notes to the Financial Statements

NOTE 1: BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

REFERENCE	TITLE	SUMMARY	APPLICATION DATE OF STANDARD*	APPLICATION DATE FOR GROUP*
AASB 2010-7	Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023, & 1038 and interpretations 2, 5, 10, 12, 19 & 127]	The requirements for classifying and measuring financial liabilities were added to AASB 9. The existing requirements for the classification of financial liabilities and the ability to use the fair value option have been retained. However, where the fair value option is used for financial liabilities the change in fair value is accounted for as follows: ▶ The change attributable to changes in credit risk are presented in other comprehensive income (OCI) ▶ The remaining change is presented in profit or loss If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.	1 January 2013	1 July 2013
AASB 2010-8	Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112]	These amendments address the determination of deferred tax on investment property measured at fair value and introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that the carrying amount will be recoverable through sale. The amendments also incorporate *SIC-21 Income Taxes – Recovery of Revalued Non-Depreciable Assets* into AASB 112.	1 January 2012	1 July 2012
AASB 2011-1	Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence project [AASB 1, AASB 5, AASB 101, AASB 107, AASB 108, AASB 121, AASB 128, AASB 132, AASB 134, Interpretation 2, Interpretation 112, Interpretation 113]	This Standard amendments many Australian Accounting Standards, removing the disclosures which have been relocated to AASB 1054.	1 July 2011	1 July 2011

Notes to the Financial Statements

NOTE 1: BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

REFERENCE	TITLE	SUMMARY	APPLICATION DATE OF STANDARD*	APPLICATION DATE FOR GROUP*
AASB 2011-2	Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence project – Reduced disclosure regime [AASB 101, AASB 1054]	This Standard makes amendments to the application of the revised disclosures to Tier 2 entities, that are applying AASB 1053.	1 July 2013	1 July 2013
AASB 10	Consolidated Financial Statements	IFRS 10 establishes a new control model that applies to all entities. It replaces parts of IAS 27 *Consolidated and Separate Financial Statements* dealing with the accounting for consolidated financial statements and SIC-12 *Consolidation – Special Purpose Entities.* The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control. This is unlikely to lead to more entities being consolidated into the group.	1 January 2013	1 July 2013
AASB 11	Joint Arrangements	IFRS 11 replaces IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly-controlled Entities – Non-monetary Contributions by Ventures.* IFRS 11 uses the principle of control in IFRS 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give the venturers a right to the underlying assets and obligations themselves is accounted for by recognising the share of those assets and obligations. Joint ventures that give the venturers a right to the net assets is accounted for using the equity method. This may result in a change in the accounting for the joint arrangements held by the group.	1 January 2013	1 July 2013
AASB 12	Disclosure of Interests in Other Entities	IFRS 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structures entities. New disclosures have been introduced about the judgements made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests.	1 January 2013	1 July 2013

Notes to the Financial Statements

NOTE 1: BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

REFERENCE	TITLE	SUMMARY	APPLICATION DATE OF STANDARD*	APPLICATION DATE FOR GROUP*
AASB 13	Fair Value Measurement	IFRS 13 establishes a single source of guidance under IFRS for determining the fair value of assets and liabilities. IFRS 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value under IFRS when fair value is required or permitted by IFRS. Application of this definition may result in different fair values being determined for the relevant assets. IFRS 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined.	1 January 2013	1 July 2013
AASB 119 (Revised)	Employee Benefits	The main changes to accounting for defined benefit plans are: ▸ to eliminate the option to defer the recognition of gains and losses (the 'corridor method'); ▸ requiring re-measurements to be presented in other comprehensive income; and ▸ enhancing the disclosure requirements relating to defined benefit plans for Tier 1 entities. The AASB has provided relief from certain disclosure requirements for entities that adopt Tier 2 Reduced Disclosure Requirements.	1 January 2013	1 January 2013
AASB 2011-9	Amendments to Australian Accounting Standards *-Presentation of Items of Other Comprehensive Income* [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049]	The main change resulting from the amendments relates to the 'Statement of Profit or Loss and Other Comprehensive Income' and the requirement for entities to group items presented in other comprehensive income on the basis of whether they are potentially re-classifiable to profit or loss subsequently (reclassification adjustments). The amendments do not remove the option to present profit or loss and other comprehensive income in two statements. The amendments do not change the option to present items of OCI either before tax or net of tax. However, if the items are presented before tax then the tax related to each of the two groups of OCI items (those that might be reclassified to profit or loss and those that will not be reclassified) must be shown separately.	1 July 2012	1 July 2012
AASB 2011-3	Amendments to Australian Accounting Standards – Orderly Adoption of Changes to the ABS GFS Manual and Related Amendments [AASB 1049]	This Standard makes amendments including clarifying the definition of the ABS GFS Manual, facilitating the orderly adoption of changes to the ABS GFS Manual and related disclosures to AASB 1049.	1 July 2012	1 October 2012

Notes to the Financial Statements

NOTE 1: BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

REFERENCE	TITLE	SUMMARY	APPLICATION DATE OF STANDARD*	APPLICATION DATE FOR GROUP*
AASB 2011-4	Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements [AASB 124]	This Standard makes amendments to remove individual key management personnel disclosure requirements from AASB 124.	1 July 2013	1 October 2013
AASB 2011-5	Amendments to Australian Accounting Standards – Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation [AASB 127, AASB 128 & AASB 131]	This Standard makes amendments to: ▶ AASB 127 Consolidated and Separate Financial Statements; ▶ AASB 128 Investments in Associates; and ▶ AASB 131 Interests in Joint Ventures; to extend the circumstances in which an entity can obtain relief from consolidation, the equity method or proportionate consolidation, and relates primarily to those applying the reduced disclosure regime or not-for-profit entities.	1 July 2011	1 October 2011

The impact of the adoption of these new and revised standards and interpretations has not been determined by the Company.

* Designates the beginning of the applicable annual reporting period unless otherwise stated.

Notes to the Financial Statements

NOTE 2: PROFIT/(LOSS) FROM CONTINUING OPERATIONS

	CONSOLIDATED 2011 $'000	2010 $'000
(A) REVENUE FROM GOLD SALES		
Gold sales at spot price (i)	462,911	393,936
Realised loss on gold forward contracts	(17,856)	(59,084)
	445,055	334,852
Amortisation of the gold forward contract hedge reserve	-	7,632
	445,055	342,484
(i) Proceeds received on the sale of gold produced at the Syama project up until 31 December 2009 were capitalised into pre-production costs.		
(B) COSTS OF PRODUCTION RELATING TO GOLD SALES		
Costs of production (excluding gold in circuit inventories movement) (i)	300,342	234,139
Gold in circuit inventories movement	(6,843)	(5,132)
	293,499	229,007
(i) Costs incurred on the production of gold at the Syama project up until 31 December 2009 were capitalised into pre-production costs.		
(C) DEPRECIATION AND AMORTISATION RELATING TO GOLD SALES		
Amortisation of evaluation, development & rehabilitation costs	23,712	15,467
Depreciation of mine site properties, plant & equipment	38,679	27,674
	62,391	43,141
(D) OTHER OPERATING COSTS RELATING TO GOLD SALES		
Royalty expense	19,541	13,232
Operational support costs	3,735	3,333
	23,276	16,565
(E) OTHER REVENUE		
Interest income - other persons/corporations	329	294

Notes to the Financial Statements

NOTE 2: PROFIT/(LOSS) FROM CONTINUING OPERATIONS (CONTINUED)

	CONSOLIDATED	
	2011	2010
	$'000	$'000
(F) OTHER INCOME		
Rehabilitation provision adjustment to non operating mine sites	1,073	726
Profit on sale of subsidiaries (i)	-	7,208
Profit on sale of property, plant and equipment	139	1,934
Other	104	230
	1,316	10,098
(i) On 7 May 2010, Resolute disposed of a number of Australian and Ghanaian subsidiaries to Viking Ashanti Limited. Proceeds received comprised of 23 million shares in Viking Ashanti Limited and a cash component. As a result of this transaction, Resolute holds 33.25% of the ordinary shares of Viking Ashanti Limited.		
(G) ADMINISTRATION AND OTHER EXPENSES		
Other management and administration expenses	4,248	4,297
Non mine site insurance costs	714	737
Operating lease expenses	770	512
Loss on sale of available for sale financial assets	-	28
Share based payments expense	1,215	522
Depreciation of non mine site assets	250	271
Impairment of accounts receivable	1,361	-
Other	1,199	1,209
	9,757	7,576
(H) FINANCE COSTS		
Interest and fees paid/payable to other entities (i)	18,612	10,701
Rehabilitation provision discount adjustment	985	519
	19,597	11,220
(i) Interest and fees paid/payable to other entities relating to financing of the Syama redevelopment and pre-production costs up until 31 December 2009 were capitalised into pre-production costs.		
(I) TREASURY - OTHER REALISED (LOSSES)/GAINS		
Realised gain on gold call options	-	1,522
Realised loss on gold put options	(3,909)	-
Realised foreign exchange loss	(665)	(1,327)
	(4,574)	195

Notes to the Financial Statements

NOTE 2: PROFIT/(LOSS) FROM CONTINUING OPERATIONS (CONTINUED)

	CONSOLIDATED 2011 $'000	2010 $'000
(J) TREASURY - UNREALISED GAINS/(LOSSES)		
Unrealised gain on gold forward contracts	-	2,077
Unrealised gain/(loss) on gold put options	2,930	(5,467)
Unrealised loss on gold call options	-	(1,393)
Unrealised foreign exchange gain	7,991	3,351
Unrealised foreign exchange loss on loans with subsidiaries	(10,191)	(74,544)
	730	(75,976)
(K) EMPLOYEE BENEFITS		
Salaries	44,090	42,085
Superannuation	2,545	2,553
Share based payments expense	1,215	522
	47,850	45,160

NOTE 3: INCOME TAX

	2011 $'000	2010 $'000
(A) INCOME TAX EXPENSE ATTRIBUTABLE TO CONTINUING OPERATIONS		
Current tax expense	15,962	9,798
Deferred tax (benefit)/expense	(1,127)	3,897
Income tax expense attributable to profit/(loss) from continuing operations	14,835	13,695
Witholding tax	1,787	2,924
Total tax expense	16,622	16,619

Notes to the Financial Statements

NOTE 3: INCOME TAX (CONTINUED)

	CONSOLIDATED 2011 $'000	2010 $'000
(B) NUMERICAL RECONCILIATION OF INCOME TAX EXPENSE TO PRIMA FACIE TAX EXPENSE		
Profit/(loss) from continuing operations before income tax expense	59,552	(39,952)
Withholding tax	(1,787)	(2,924)
Profit/(loss) from continuing operations including withholding tax before income tax expense	57,765	(42,876)
Prima facie income tax expense/(benefit) at 30% (2010: 30%)	17,330	(12,863)
Add/(deduct):		
- tax losses and other temporary differences (recognised to offset deferred tax liabilities)/not recognised	(3,603)	27,142
- foreign exchange gain on investment in subsidiaries	-	(566)
- effect of share based payments expense not deductible	365	157
- other	743	(175)
Income tax expense attributable to net profit/(loss)	14,835	13,695
(C) AMOUNTS RECOGNISED DIRECTLY IN EQUITY		
Amounts credited directly to equity	(222)	(925)
(D) TAX LOSSES		
- Revenue losses		
Australia	78,774	65,400
Mali*	79,518	72,234
Other	327	295
	158,619	137,929
- Capital losses		
Australia	38,723	31,677
Total tax losses not used against deferred tax liabilities for which no deferred tax asset has been recognised (potential tax benefit at the prevailing tax rates of the respective jurisdictions)	197,342	169,606

* Pursuant to the Establishment Convention between the State of Mali and Societe des Mines de Syama S.A. (owner of the Syama gold mine), there is an income tax holiday for 5 years post the declaration of first commercial production at Syama.

A deferred income tax asset has not been recognised for these amounts at balance date as realisation of the benefit is not regarded as probable. The future benefit will only be obtained if:

(i) future assessable income is derived of a nature and an amount sufficient to enable the benefit to be realised;

(ii) the conditions for deductibility imposed by tax legislation continue to be complied with; and,

(iii) no changes in tax legislation adversely affect the consolidated entity in realising the benefit.

Notes to the Financial Statements

NOTE 3: INCOME TAX (CONTINUED)

(E) UNRECOGNISED TEMPORARY DIFFERENCES

As at 30 June 2011, aggregate unrecognised temporary differences of $7.062m (2010: $0.086m) are in respect of investments in foreign controlled entities for which no deferred tax liabilities (2010: deferred tax assets) have been recognised for amounts which arise upon translation of their financial statements.

	CONSOLIDATED 2011 $'000	2010 $'000
(F) MOVEMENTS IN THE DEFERRED TAX ASSETS BALANCE		
Balance at the beginning of the year	-	-
Credited to equity	222	2,376
Charged to the income statement	(222)	(2,376)
Balance as at the end of the year	-	-
The deferred tax assets balance comprises temporary differences attributable to:		
Receivables	1,119	-
Other financial assets	133	133
Available for sale financial assets	317	250
Property, plant and equipment	2,274	1,673
Interest bearing liabilities	34,409	26,551
Financial derivative liabilities	-	33,930
Provisions	11,917	9,012
Other	15	903
Tax losses recognised (i)	15,435	5,982
Temporary differences not recognised	(31,876)	(53,682)
	33,743	24,752
Set off of deferred tax liabilities pursuant to set off provisions	(33,743)	(24,752)
Net deferred tax assets	-	-
(i) This amount includes tax losses recognised against deferred tax liabilities in foreign entities of $1.458m (2010: $1.760m).		

Notes to the Financial Statements

NOTE 3: INCOME TAX (CONTINUED)

	CONSOLIDATED	
	2011 $'000	2010 $'000
(G) MOVEMENTS IN THE DEFERRED TAX LIABILITIES BALANCE		
Balance at the beginning of the year	3,049	-
Charged to equity	-	1,452
(Credited)/charged to the income statement	(1,349)	1,520
Foreign exchange	(575)	77
Balance as at the end of the year	**1,125**	**3,049**
The deferred tax liabilities balance comprises temporary differences attributable to:		
Receivables	4,898	49
Mineral exploration and development interests	20,589	16,832
Property, plant and equipment	1,724	3,142
Financial derivative assets	3	297
Interest bearing liabilties	7,272	7,473
Other	382	8
	34,868	27,801
Set off of deferred tax liabilities pursuant to set off provisions	(33,743)	(24,752)
Net deferred tax liabilities	**1,125**	**3,049**
(H) THE EQUITY BALANCE COMPRISES TEMPORARY DIFFERENCES ATTRIBUTABLE TO:		
Convertible notes equity reserve	1,922	2,124
Option equity reserve	2,568	2,566
Unrealised gain/(loss) reserve	48	70
Net temporary differences in equity	4,538	4,760

(I) TAX CONSOLIDATION

Resolute Mining Limited and its wholly owned Australian controlled entities implemented the tax consolidation legislation on 1 July 2002. On adoption of the tax consolidation legislation, the entities in the tax consolidated group entered into a tax sharing agreement, which limits the joint and several liability of the wholly owned entities in the case of a default by the head entity, Resolute Mining Limited.

The entities have also entered into a tax funding agreement under which the wholly owned entities fully compensate Resolute Mining Limited for any current tax payable assumed and are compensated by Resolute Mining Limited for any current tax receivable. The funding amounts are determined by reference to the amounts recognised in the wholly owned entities' financial statements. The head entity and controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The Group has applied the group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group.

The amount receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments. The tax funding agreement requires payments to/from the head entity to be recognised via an inter-entity receivable/payable which is at call.

Notes to the Financial Statements

NOTE 4: DIVIDENDS PAID OR PROVIDED FOR

	CONSOLIDATED 2011 $'000	2010 $'000
There were no dividends paid or provided for during the year.		
Franking Credits		
The amount of franking credits available for subsequent financial years is as follows. The amount has been determined using a tax rate of 30%.	7,417	7,417

NOTE 5: CASH

	2011 $'000	2010 $'000
Cash at bank and on hand	11,213	18,259
Reconciliation to cash flow statement		
For the purpose of the cash flow statement, cash and cash equivalents comprise the following at 30 June:		
Cash at bank and on hand	11,213	18,259
Bank overdraft (Note 17)	(7,542)	(6,359)
	3,671	**11,900**

Cash at bank earns interest at floating rates based on bank deposit rates.

Short-term deposits are made for varying periods depending on the immediate cash requirements of the Group, and earn interest at the respective short term deposit rates.

The fair value of cash and cash equivalents is equal to their book value.

Notes to the Financial Statements

NOTE 6: RECEIVABLES

	CONSOLIDATED 2011 $'000	2010 $'000
Current		
Sundry debtors (a)	4,940	8,390
Allowance for impairment loss	(907)	(1,857)
	4,033	**6,533**
Non Current		
Sundry debtors	7,500	7,070
Allowance for impairment loss	(3,731)	(2,987)
	3,769	**4,083**
(a) Current sundry debtors are non interest bearing and are generally on 30-60 day terms. A provision for doubtful debt is recognised when there is objective evidence that the Group may not be able to collect all amounts due according to original terms of the transaction. Receivables past due but not considered impaired are $3.245m (2010: $3.761m). Payment terms on these amounts have not been re-negotiated, however the Group maintains direct contact with the relevant debtor and is satisfied that payment will be received in full.		
Movements in the allowance for impairment losses were as follows:		
At start of year	(4,844)	(3,339)
Charge for the year	(1,355)	(918)
Amount reversed	890	-
Foreign exchange translation	671	(587)
At end of year	(4,638)	(4,844)
As at 30 June, the aging analysis of current and non current sundry debtors is as follows:		
0-30 days	4,165	3,511
31-60 days	392	3,344
61-90 days (Past due but not impaired)	130	3,241
+91 days (Past due but not impaired)	3,115	520
+91 days (Considered impaired)	4,638	4,844
Total	**12,440**	**15,460**

Notes to the Financial Statements

NOTE 7: INVENTORIES

	CONSOLIDATED 2011 $'000	2010 $'000
Gold in circuit		
- At cost	10,530	10,899
- At net realisable value	19,670	14,672
Total gold in circuit	30,200	25,571
Consumables at cost	44,186	42,112
Ore stockpiles		
- At cost	14,914	14,477
- At net realisable value	7,164	3,594
Total ore stockpiles	22,078	18,071
	96,464	**85,754**

Inventory recognised as an expense for the year ended 30 June 2011 totalled $94.041m (2010: $65.383m) for the Group. Inventory costs relating to the Syama redevelopment and pre-production costs up until 31 December 2009 were capitalised into pre-production costs.

NOTE 8: AVAILABLE FOR SALE FINANCIAL ASSETS

	2011 $'000	2010 $'000
Shares at fair value - listed	**692**	**818**

Available for sale financial assets consist of investments in ordinary shares, and therefore have no maturity date or coupon rate. Refer to Note 36(f) for information on the determination of fair value.

NOTE 9: FINANCIAL DERIVATIVE ASSETS

	2011 $'000	2010 $'000
Current		
Gold put options (Note 36)	**11**	**89**
Non Current		
Gold put options (Note 36)	**-**	**901**

NOTE 10: OTHER ASSETS

	2011 $'000	2010 $'000
Current		
Prepayments	**3,270**	**3,866**

Notes to the Financial Statements

NOTE 11: EXPLORATION AND EVALUATION EXPENDITURE - AT COST

The consolidated entity has the following gold mineral exploration and evaluation expenditure carried forward in respect of areas of interest:

	CONSOLIDATED	
	2011 $'000	2010 $'000
Areas in exploration and evaluation (at cost)		
Balance at the beginning of the year	10,970	8,928
- Expenditure during the year	-	1,448
- Transfers from areas in production or development	-	656
- Other transfers	-	353
- Impaired during the year	(362)	-
- Foreign currency translation	(1,563)	(406)
- Disposals during the year	-	(9)
Balance at the end of the year	**9,045**	**10,970**
Ultimate recoupment of costs carried forward, in respect of areas of interest in the exploration and evaluation phase, is dependent upon the successful development and commercial exploitation, or alternatively the sale of the respective areas at an amount at least equivalent to the carrying value. For areas which do not meet the criteria of the accounting policy per Note 1(p), those amounts are charged to the consolidated statement of comprehensive income.		

Notes to the Financial Statements

NOTE 12: DEVELOPMENT EXPENDITURE

	CONSOLIDATED 2011 $'000	2010 $'000
Areas in development (at cost)		
Balance at the beginning of the year	-	341,788
- Additions	-	71,535
- Syama gold mine preproduction gold sales	-	(38,253)
- Transfers to property, plant & equipment	-	(143,489)
- Transfers to areas in exploration and evaluation	-	(707)
- Transfers to areas in production	-	(206,004)
- Transfers to inventories	-	(1,636)
- Foreign currency translation	-	(23,234)
Balance at the end of the year	-	-
Areas in production (at cost)		
Balance at the beginning of the year	231,030	57,628
- Additions	9,443	11,354
- Transfers from areas in development	-	206,004
- Transfers (to)/from inventory	(58)	5,451
- Transfers from areas in exploration and evaluation	-	51
- Amount amortised during the year (including finance costs)	(24,622)	(15,917)
- Foreign currency translation	(11,142)	(38,362)
- Adjustments to rehabilitation obligations	14,678	4,821
Balance at the end of the year	219,329	231,030
Total development expenditure	**219,329**	**231,030**

Notes to the Financial Statements

NOTE 13: PROPERTY, PLANT & EQUIPMENT

CONSOLIDATED	BUILDINGS	PLANT AND EQUIPMENT	MOTOR VEHICLES	OFFICE EQUIPMENT	PLANT AND EQUIPMENT UNDER LEASE	TOTAL
	$'000	$'000	$'000	$'000	$'000	$'000
30 June 2011						
At 1 July 2010 net of accumulated depreciation	6,669	204,023	3,158	3,368	4,056	221,274
Additions	196	12,701	526	212	6,851	20,486
Depreciation expense	(1,247)	(32,903)	(1,060)	(1,158)	(2,561)	(38,929)
Foreign exchange translation	(412)	(11,163)	(191)	(187)	-	(11,953)
At 30 June 2011 net of accumulated depreciation	5,206	172,658	2,433	2,235	8,346	190,878
Summary						
Cost	10,404	281,323	5,223	4,839	19,368	321,157
Accumulated depreciation	(5,198)	(108,665)	(2,790)	(2,604)	(11,022)	(130,279)
Net carrying amount	5,206	172,658	2,433	2,235	8,346	190,878
30 June 2010						
At 1 July 2009 net of accumulated depreciation	2,871	86,963	2,165	1,204	6,932	100,135
Additions	607	10,353	485	2,003	21	13,469
Transfers from areas in development	4,083	137,265	1,400	741	-	143,489
Disposals	-	(15)	(7)	(13)	-	(35)
Depreciation expense	(872)	(23,086)	(610)	(480)	(2,897)	(27,945)
Foreign exchange translation	(20)	(7,457)	(275)	(87)	-	(7,839)
At 30 June 2010 net of accumulated depreciation	6,669	204,023	3,158	3,368	4,056	221,274
Summary						
Cost	11,318	290,201	5,719	5,012	12,517	324,767
Accumulated depreciation	(4,649)	(86,178)	(2,561)	(1,644)	(8,461)	(103,493)
Net carrying amount	6,669	204,023	3,158	3,368	4,056	221,274

NOTE 14: DEFERRED MINING COSTS

	CONSOLIDATED 2011	2010
	$'000	$'000
Deferred mining costs	**20,585**	**13,504**

These costs represent prepaid mining expenses deferred in accordance with the accounting policy referred in Note 1(o).

Notes to the Financial Statements

NOTE 15: INVESTMENT IN ASSOCIATE

	CONSOLIDATED	
	2011	2010
	$'000	$'000
(A) INVESTMENT DETAILS		
Listed		
Viking Ashanti Limited	5,092	5,892
The Group holds 23 million shares in Viking Ashanti Limited which represents 33.25% of their ordinary shares on issue.		
(B) MOVEMENTS IN THE CARRYING AMOUNT OF THE GROUP'S INVESTMENT IN ASSOCIATE		
Viking Ashanti Limited		
At 1 July	5,892	-
Purchase of investment	-	6,150
Share of loss after income tax	(800)	(258)
At 30 June	5,092	5,892
(C) FAIR VALUE OF INVESTMENT IN LISTED ASSOCIATE		
At 30 June, the market value of the Group's investment in Viking Ashanti Limited was $3.220m (2010: $5.290m).		
(D) SUMMARISED FINANCIAL INFORMATION		
The following table illustrates summarised financial information relating to the Group's associate:		
Extract from the associate's statement of financial position		
Current assets	4,230	7,856
Non-current assets	6,435	6,374
Total assets	10,665	14,230
Current liabilities	456	477
Non-current liabilities	-	-
Total liabilities	456	477
Net assets	10,121	13,753
Share of associates' net assets	3,365	4,573
Extract from the associate's statement of comprehensive income:		
Revenue	-	-
Total comprehensive loss	(3,632)	(1,030)

Notes to the Financial Statements

NOTE 16: PAYABLES

	CONSOLIDATED 2011 $'000	2010 $'000
Current		
Trade creditors and accruals (a)	**47,433**	**47,652**

(a) Payables are non interest bearing and generally settled on 30-90 day terms. Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value.

NOTE 17: INTEREST BEARING LIABILITIES

	2011 $'000	2010 $'000
Current		
Lease liabilities (a)	3,353	1,865
Borrowings (b)	12,644	21,221
Bank overdraft (d)	7,542	6,359
	23,539	**29,445**
Non Current		
Lease liabilities (a)	4,189	1,851
Borrowings (b)	11,223	26,213
Convertible notes (c)	62,929	65,236
	78,341	**93,300**

(a) Carpentaria Gold Pty Ltd ("CGPL"), a wholly owned subsidiary of RML, has entered into hire purchase agreements with Esanda Finance Corporation Limited, Caterpillar Financial Australia Limited, Atlas Copco Customer Finance Pty Ltd and the Commonwealth Bank of Australia for the purchase of mining equipment which is being used at Mt Wright, Ravenswood. Monthly instalments are required under the terms of the contracts which expire between July 2011 and March 2014. RML has provided an unsecured parent entity guarantee to these financiers in relation to some of these finance facilities.

(b) The US$32.425m (or $30.250m in AUD equivalent terms) senior debt facility provided by Barclays Bank Plc and Investec Bank (Australia) Limited, the $18.910m of derivative facilities provided by Barclays Bank Plc and Investec Bank (Australia) Limited, a $5.000m environmental bond facility and a US$4.644m (or $4.333m in AUD equivalent terms) deferred premium loan facility provided by Barclays Bank Plc are secured by the following:

(i) Cross Guarantee and Indemnity given by RML, Carpentaria Gold Pty Ltd, Resolute (Tanzania) Limited, Mabangu Mining Limited, Resolute Pty Ltd, Resolute (Treasury) Pty Ltd and Resolute (Somisy) Limited;

(ii) fixed and floating charge over all the current and future assets of Resolute (Tanzania) Limited including onshore and offshore bank accounts and shares of Mabangu Mining Ltd;

(iii) fixed and floating charge over all the current and future assets of Mabangu Mining Limited including onshore and offshore bank accounts;

(iv) mortgage over mining lease ML 19/97 of the Resolute (Tanzania) Limited group of companies;

(v) mortgage over prospecting licences PL 1461/2000, PL 1462/2000, PL 1732/2001, PL 347/95, PL 1833/2001, PL 1890/2002, PL 1891/2002 and PL 1892/2002 of Resolute (Tanzania) Limited;

(vi) share Mortgage by Resolute Pty Ltd over all of its shares in Resolute (Tanzania) Limited and including an assignment of Tanzanian general and political risks insurance policies with the Security Trustee being named as the loss payee;

(vii) share Mortgage by the Borrower over all of its shares in Carpentaria Gold Pty Ltd;

(viii) share Mortgage by the Borrower over all of its shares in Resolute (Somisy) Limited and including an assignment of rights under Malian general and political risks insurance policies with the Security Trustee being named as the loss payee;

Notes to the Financial Statements

NOTE 17: INTEREST BEARING LIABILITIES (CONTINUED)

(ix) fixed and floating charge over all the current and future assets of Resolute (Treasury) Pty Ltd including bank accounts and an assignment of all Hedging Contracts;

(x) fixed and floating charges over all the current and future assets of Carpentaria Gold Pty Ltd including bank accounts and an assignment of all Hedging Contracts;

(xi) mortgage over key Carpentaria Gold Pty Ltd mining tenements, and

(xii) caveat over Carpentaria Gold Pty Ltd's Exploration permits for Minerals 14778, 15098, 15099, 16203, 16204 and 16847; and

(xiii) mortgage over the $436.601m (2010: $410.499m) loan receivable from Societe des Mines de Syama SA.

The US$32.425m senior debt facility is a revolving corporate loan that is currently drawn to US$22.425m (or A$20.923m). The amortisation profile of this revolving facility was amended in June 2011 to provide RML with more financial flexibility going forward. The revised amortisation schedule is now as follows:

DATE	FACILITY LIMIT
30 June 2011	US$32.425m
31 December 2011	US$25.000m
30 June 2012	US$12.500m
10 December 2012	Nil

The term of the derivative facilities extends to 30 September 2011 and the deferred premium loan facility extends to 30 June 2012. The environmental bond facility expires on 31 December 2012.

The total assets of the entities over which security exists amounts to A$696.798m, of these assets $55.059m relates to property plant and equipment.

The following debt ratios are required to be maintained:

(i) A debt service cover ratio of not less than 1.35:1;

(ii) a loan life cover ratio of not less than 1.65:1; and,

(iii) a reserve tail ratio of not less than 30%.

There have been no breaches of the above ratios.

Refer to Note 36(b) for details of average interest rates.

(c) The Group has 136,862,475 convertible notes on issue at a price of $0.50 each. Subscribers also received one free option for every 3 convertible notes taken up under this offer. The average effective interest rate on these convertible notes for accounting purposes is 17.48%. A portion of the funds raised pursuant to the issue have been recognised in the Convertible Notes Equity Reserves.

The notes are unsecured and subordinated to the senior credit facilities, have a coupon rate of 12% on the $0.50 face value and are convertible into ordinary shares, one for one, at the option of the holder up until 31 December 2012 or repayable by the Company on 31 December 2012. The Company has the right to redeem the notes from 31 December 2011 by paying $0.50 per note to the note holders, and in this event, the note holder has the right to convert their notes into ordinary shares on a one for one basis prior to them being redeemed. Full terms and conditions of the convertible notes can be found in the Convertible Note Trust Deed.

During the year ended 30 June 2011, 14,289,793 convertible notes were converted into ordinary shares.

(d) This facility is in place indefinitely, is subject to an annual revision in approximately September 2011, and has an interest rate of 8% per annum on the basis of usage. The maximum limit of this facility is $10.387m (AUD equivalent), and as at balance date $2.845m (AUD equivalent) of the facility was unused.

Notes to the Financial Statements

NOTE 18: FINANCIAL LIABILITIES

	CONSOLIDATED 2011 $'000	2010 $'000
Current		
Financial liabilities (a)	18,910	-
Gold forwards (Note 36)	-	92,075
	18,910	**92,075**
(a) In October 2010, the Group completed the close out of its hedge book. Funding for gold purchases to achieve this comprised approximately A$30.368m from an equity raising in October and A$47.991m of credit from the hedging counterparties, Barclays and Investec. The credit was scheduled to be repaid in monthly instalments between February and September 2011. The remaining balance owing as at 30 June 2011 is A$18.910m and is scheduled to be fully repaid by September 2011. The financing arrangement to fund the gold purchases has the same securities in place as the other financing facilities listed at Note 17(b).		
Non Current		
Gold forwards (Note 36)	-	21,026

NOTE 19: PROVISIONS

	2011 $'000	2010 $'000
Current		
Site restoration (a)	5,341	5,319
Employee entitlements	6,197	4,724
Dividend payable	68	69
Other provisions	2,849	821
	14,455	**10,933**
Non Current		
Site restoration (a)	37,236	28,103
Employee entitlements	764	521
	38,000	**28,624**

Notes to the Financial Statements

NOTE 19: PROVISIONS (CONTINUED)

	CONSOLIDATED 2011 $'000	2010 $'000
(A) SITE RESTORATION		
Balance at the beginning of the year	33,422	31,669
Restoration borrowing cost unwound	985	519
Change in scope of restoration provision	13,587	4,081
Utilised during the year	(2,980)	(985)
Foreign exchange translation	(2,437)	(1,862)
Balance at the end of the year	**42,577**	**33,422**
Reconciled as:		
Current provision	5,341	5,319
Non-current provision	37,236	28,103
Total provision	**42,577**	**33,422**

The nature of restoration activities includes dismantling and removing structures, rehabilitating mines, dismantling operating facilities, closure of plant and waste sites and restoration, reclamation and revegetation of affected areas. Typically the obligation arises when the asset is installed at the production location. When the liability is initially recorded, the estimated cost is capitalised by increasing the carrying amount of the related mining assets. Over time, the liability is increased for the change in present value based on the discount rates that reflect the current market assessments and the risks specific to the liability. Additional disturbances or changes in rehabilitation costs will be recognised as additions or changes to the corresponding asset and rehabilitation liability when incurred.

NOTE 20: OTHER LIABILITIES

	2011	2010
Financial guarantees (a)	-	37

(a) RML agreed to provide financial support to the Syama mining contractor (PW Mining International Ltd S.A.R.L) by guaranteeing the repayment to its financier of outstanding amounts borrowed. The amount outstanding at 30 June 2011 by PW Mining International Ltd S.A.R.L to its financier is $nil (2010: US$3.100m). The amount shown is the recognition of the financial guarantee at fair value. The fair value has been calculated by assessing the probability of this guarantee being called by the financier.

Notes to the Financial Statements

NOTE 21: CONTRIBUTED EQUITY

	CONSOLIDATED 2011 $'000	2010 $'000
(A) CONTRIBUTED EQUITY		
Ordinary share capital:	**287,125**	**237,083**
467,638,948 ordinary fully paid shares (2010: 392,586,434)		
(B) MOVEMENTS IN CONTRIBUTED EQUITY, NET OF ISSUING COSTS		
Balance at the beginning of the year	237,083	209,680
Conversion of 14,289,793 convertible notes to shares at $0.50 per share	6,833	-
Exercise of 359,001 unlisted options at $0.42 per share	151	-
Exercise of 44,917,993 listed options at $0.60 per share	25,015	-
Exercise of 55,000 unlisted options at $1.12 per share	62	-
Exercise of 65,000 unlisted options at $1.09 per share	71	-
Issue of 3,603,264 shares to Convertible Note holders in lieu of interest payable at $1.24 per share	4,446	-
Placement of 11,762,463 shares at $1.24 per share	13,464	-
Conversion of 583,558 convertible notes to shares at $0.50 per share	-	269
Placement of 30,000,000 shares to M&G Investments at $0.63 per share	-	17,862
Exercise of 109,640 listed options at $0.60 per share	-	66
Issue of 4,818,911 shares to Convertible Note holders in lieu of interest payable at $0.94 per share	-	4,540
Exercise of 286,998 unlisted options at $0.42 per share	-	116
Issue of 4,474,355 shares to Convertible Note holders in lieu of interest payable at $1.02 per share	-	4,550
Balance at the end of the year	**287,125**	**237,083**

Effective 1 July 1998, the Corporations legislation abolished the concepts of authorised capital and par value shares. Accordingly the Company does not have authorised capital nor par value in respect of its issued capital.

(C) TERMS AND CONDITIONS OF CONTRIBUTED EQUITY

Ordinary shares have the right to receive dividends as declared and in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

(D) EMPLOYEE SHARE OPTIONS

Refer to Note 31 for details of the Employee Share Option Plan. Each option entitles the holder to purchase one share. The names of all persons who currently hold employee share options, granted at any time, are entered into the register kept by the Company, pursuant to Section 215 of the *Corporations Act 2001*. Persons entitled to exercise these options have no right, by virtue of the options, to participate in any share issue by the parent entity or any other body corporate.

Notes to the Financial Statements

NOTE 21: CONTRIBUTED EQUITY (CONTINUED)

(E) CAPITAL MANAGEMENT

The Group's and the parent entity's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and to maintain a capital structure that is appropriate for the Group's current and/or projected financial position.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders (if any), return capital to shareholders, issue new shares, borrow from financiers or sell assets to reduce debt.

The Group monitors the adequacy of capital by analysing cash flow forecasts over the term of the Life of Mine for each of its projects. To a lesser extent, gearing ratios are also used to monitor capital. Appropriate capital levels are maintained to ensure that all approved expenditure programs are adequately funded. This funding is derived from an appropriate combination of debt and equity.

The gearing ratio is calculated as net debt divided by total capital. Net debt is defined as interest bearing liabilities less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the Consolidated statement of financial position (including non-controlling interest) plus net debt.

	CONSOLIDATED	
	2011	2010
Gearing ratio	25%	37%

The Group is not subject to any externally imposed capital requirements.

NOTE 22: RESERVES

(A) MOVEMENTS IN RESERVES

CONSOLIDATED	FOREIGN CURRENCY TRANSLATION RESERVE	HEDGE RESERVE FORWARDS GAIN/(LOSS)	NET UNREALISED GAIN/(LOSS) RESERVE	EMPLOYEE EQUITY BENEFITS RESERVE	CONVERTIBLE NOTES EQUITY RESERVE	SHARE OPTIONS EQUITY RESERVE	TOTAL
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
As at 1 July 2009	633	5,343	364	1,499	3,492	4,064	15,395
Currency translation differences	(348)	-	-	-	-	-	(348)
Hedge reserve forwards, net of tax	-	(5,343)	-	-	-	-	(5,343)
Unrealised gain/(loss) reserve, net of tax	-	-	(200)	-	-	-	(200)
Share based payments to employees	-	-	-	522	-	-	522
Value of conversion rights on convertible notes (including transaction costs, net of tax (i))	-	-	-	-	10,741	-	10,741
Value of options issued to convertible note and share holders, net of tax	-	-	-	-	-	1,923	1,923
As at 30 June 2010	285	-	164	2,021	14,233	5,987	22,690
Currency translation differences	(23,826)	-	-	-	-	-	(23,826)
Unrealised gain/(loss) reserve, net of tax	-	-	(52)	-	-	-	(52)
Share based payments to employees	-	-	-	1,215	-	-	1,215
Conversion of convertible notes (including transaction costs, net of tax)	-	-	-	-	(469)	-	(469)
As at 30 June 2011	**(23,541)**	**-**	**112**	**3,236**	**13,764**	**5,987**	**(442)**

Notes to the Financial Statements

NOTE 22: RESERVES (CONTINUED)

(A) MOVEMENTS IN RESERVES (CONTINUED)

(i) Gross transaction costs of $0.126m were allocated to the equity component of the convertible notes in the year ended 30 June 2010.

(B) NATURE AND PURPOSE OF RESERVES

(i) Foreign currency translation reserve

Exchange differences arising on translation of the foreign controlled entities are taken to the foreign currency translation reserve, refer Note 1(d)(ii).

(ii) Hedge reserve forwards gain/(loss)

The hedging reserves are used to record gains or losses on an effective hedging instrument, refer Note 1(n). Ineffective amounts are recognised in the consolidated statement of comprehensive income.

(iii) Net unrealised gain/(loss) reserve

This reserve records fair value changes on available for sale investments, refer Note 1(l)(iv).

(iv) Share based payment reserve

The share based payments reserve is used to recognise the fair value of options granted over the vesting period of the option, refer Note 1(y)(iv).

(v) Convertible notes equity reserve

This reserve records the value of the equity portion (conversion rights) of the convertible notes.

(vi) Share options equity reserve

The equity reserve records transactions between owners as owners.

NOTE 23: RETAINED EARNINGS

	CONSOLIDATED	
	2011 $'000	2010 $'000
Retained profits at the beginning of the year	41,058	78,231
Net profit/(loss) attributable to members of the parent	59,700	(37,173)
Retained profits at the end of the financial year	**100,758**	**41,058**

NOTE 24: EXPLORATION AND DEVELOPMENT COMMITMENTS

Exploration commitments:

Due to the nature of the consolidated entity's operations in exploring and evaluating areas of interest, it is very difficult to accurately forecast the nature or amount of future expenditure, although it will be necessary to incur expenditure in order to retain present interests in mineral tenements. Expenditure commitments on mineral tenure for the parent entity and consolidated entity can be reduced by selective relinquishment of exploration tenure or by the renegotiation of expenditure commitments. The approximate level of exploration expenditure expected in the year ending 30 June 2012 for the consolidated entity is approximately $20.294m (2011: $8.649m). This includes the minimum amounts required to retain tenure. There are no material exploration commitments further out than one year.

Notes to the Financial Statements

NOTE 25: LEASE COMMITMENTS

	CONSOLIDATED	
	2011 $'000	2010 $'000
(A) FINANCE LEASE		
Lease expenditure contracted and provided for:		
Due within one year	3,829	2,119
Due between one and five years	4,513	1,937
Total minimum lease payments	8,342	4,056
Less finance charges	(800)	(340)
Present value of minimum lease payments	**7,542**	**3,716**
Reconciled to:		
Current liability	3,353	1,865
Non current liability	4,189	1,851
	7,542	**3,716**
(B) OPERATING LEASES (NON-CANCELLABLE)		
Due within one year	787	773
Due between one and five years	2,040	2,827
Aggregate lease expenditure contracted for at balance date but not provided for	2,827	3,600
The operating lease expenditure relates to the rental of office premises and is fixed.		
(C) OTHER EXPENDITURE COMMITMENTS		
Due within one year (a)	1,116	-
Due between one and five years	-	-
Aggregate expenditure contracted for at balance date but not provided for	1,116	-

(a) Other expenditure commitments represent the expected minimum expenditure required under the electricity supply agreement between Carpentaria Gold Pty Ltd and AGL Energy Limited up until 31 December 2011.

Notes to the Financial Statements

NOTE 26: RELATED PARTY TRANSACTIONS

(i) Refer to Note 34 for directors' indirect and direct interests in securities.

(ii) RML is the ultimate Australian holding company and there is no controlling entity of RML at 30 June 2011.

(iii) The directors received the following shares in lieu of interest payable on convertible notes held by them:

DIRECTORS	FULLY PAID ORDINARY SHARES
P. Huston	-
P. Sullivan	4,838
T. Ford	4,838
H. Price	2,419

NOTE 27: INTERESTS IN JOINT VENTURES

The consolidated entity has an interest in the following material joint ventures, whose principal activities are to explore for gold. The Group's interests in the assets employed in the joint venture are included in the consolidated statement of financial position, in accordance with the accounting policy as described in Note 1(b)(ii).

There are no commitments relating to the joint ventures (2010: nil).

Jointly controlled assets

ENTITY HOLDING INTEREST	OTHER PARTICIPANT/JOINT VENTURE	PERCENTAGE OF INTEREST HELD	
		2011	2010
		%	%
Mabangu Mining Limited	Sub Sahara/Nyakafuru JV	49%	51% Elected to earn additional 19%
Mabangu Mining Limited	Yellowstone/Mega JV	49%	nil
Mabangu Mining Limited	Yellowstone/Kanegele JV	65%	nil
Resolute Pty Ltd	Etruscan/Finkolo JV	60%	60%
Carpentaria Gold Pty Ltd	Denjim/Welcome Breccia JV	87%	80%
Resolute (Tanzania) Limited	Sub Sahara/Kahama JV	49%	49%

Notes to the Financial Statements

NOTE 28: NOTES TO THE CASH FLOW STATEMENTS

	CONSOLIDATED 2011 $'000	CONSOLIDATED 2010 $'000
(A) RECONCILIATION OF NET PROFIT/(LOSS) FROM CONTINUING OPERATIONS AFTER INCOME TAX TO THE NET CASH FLOWS:		
Net profit/(loss) from ordinary activities after income tax	42,930	(56,571)
Add/(deduct):		
Share based payments expense	1,215	522
Profit on sale of subsidiaries	-	(7,208)
Profit on sale of property, plant and equipment	(139)	(1,934)
Loss on sale of available for sale financial assets	-	28
Rehabilitation provision discount adjustment	985	519
Rehabilitation provision adjustment to non operating mine sites	(1,073)	(726)
Depreciation and amortisation	62,641	43,412
Movement on gold forward contracts closed out	(34,742)	-
Foreign exchange loss	2,865	72,520
Impairment of accounts receivable	1,361	-
Business development write off	362	-
Capitalised finance costs	-	(536)
Non cash finance costs	14,331	7,625
Other	(104)	52
Changes in operating assets and liabilities:		
Increase in receivables	(1,989)	(10,068)
Increase in inventories	(19,840)	(10,489)
Decrease/(increase) in financial derivatives	979	(4,082)
Decrease in prepayments	596	3,800
(Increase)/decrease in deferred mining costs	(9,117)	3,684
Decrease in payables	(3,336)	(14,775)
(Decrease)/increase in provision for taxation	(729)	1,294
(Decrease)/increase in deferred tax balances	(1,924)	2,124
Increase in provisions	3,368	2,600
Net operating cash flows	58,640	31,791

(B) FINANCE LEASES

Refer to Note 17(a) for additions to finance leases and for terms and conditions.

Notes to the Financial Statements

NOTE 28: NOTES TO THE CASH FLOW STATEMENTS (CONTINUED)

(C) NON CASH OPERATING, FINANCING AND INVESTING ACTIVITIES

2011

The consolidated entity issued 3,603,264 shares at an issue price of $1.24 each to raise proceeds of $4.469m which was simultaneously paid to convertible note holders in lieu of interest owing.

2010

The consolidated entity repaid the Utilico debt facility, interest and fees (totalling $10.400m) by issuing 14,201,475 convertible notes at an issue price of 70 cents each and 4,733,825 listed options at an issue price of 10 cents each.

The consolidated entity issued 500,000 options in lieu of fees owing with a strike price of 74 cents to Utilico Limited as facility fees. The value of the options issued was $0.114m. Refer to Option issue 2 below for the assumptions used in the valuation of options.

The consolidated entity issued 9,293,266 shares with an average issue price of $0.98 each to raise proceeds of $9.090m which was simultaneously paid to convertible note holders in lieu of interest owing.

The consolidated entity issued 3,000,000 options with a strike price of 72 cents to Barclays Bank Plc upon the restructuring of the senior debt facility. The value of the options issued was $1.086m. Refer to Option issue 1 below for the assumptions used in the valuation of options.

The consolidated entity received shares in Viking Ashanti Limited as consideration for the disposal of a number of its Ghanaian subsidiaries (refer Note 37).

	OPTION ISSUE	
INPUT	1	2
Number of Options	3,000,000	500,000
Grant date	24/10/09	20/07/09
Expected volatility (%)	50%	50%
Risk free rate (%)	7%	7%
Expected life of options (years)	3	3
Original option exercise price ($)	0.72	0.74
Share price at grant date ($)	0.81	0.64
Value per option at grant date ($)	0.36	0.22

Notes to the Financial Statements

NOTE 29: CONTROLLED ENTITIES

The following were controlled entities during the year and have been included in the consolidated accounts. All entities in the consolidated entity carry on business in their place of incorporation.

NAME OF CONTROLLED ENTITY AND COUNTRY OF INCORPORATION	CONSOLIDATED ENTITY COMPANY HOLDING THE INVESTMENT	PERCENTAGE OF SHARES HELD BY CONSOLIDATED ENTITY	
		2011	2010
		%	%
Broken Hill Metals Pty Ltd, Aust. (a)	Resolute (Treasury) Pty Ltd	100	100
Carpentaria Gold Pty Ltd, Aust.	Resolute Mining Limited	100	100
Goudhurst Pty Ltd, Aust. (a)	Resolute (Treasury) Pty Ltd	100	100
Mabangu Exploration Limited, Tanzania	Resolute (Tanzania) Limited	100	100
Mabangu Mining Limited, Tanzania	Resolute (Tanzania) Limited	100	100
Resolute (CDI Holdings) Limited, Jersey (a)	Resolute Mining Limited	100	100
Resolute CI SARL, Cote d'Ivoire	Resolute (CDI Holdings) Limited	100	100
Resolute (Finkolo) Limited, Jersey (a)	Resolute Mining Limited	100	100
Resolute (Ghana) Limited, Ghana	Resolute Mining Limited	100	100
Resolute Mali S.A.,Mali	Resolute (Somisy) Limited	100	100
Resolute (Somisy) Limited, Jersey (a)	Resolute Mining Limited	100	100
Resolute (Tanzania) Limited, Tanzania	Resolute Pty Ltd	100	100
Resolute (Treasury) Pty Ltd, Aust. (a)	Resolute Mining Limited	100	100
Resolute Pty Ltd, Aust.	Resolute Mining Limited	100	100
Resolute Resources Pty Ltd, Aust. (a)	Resolute Pty Ltd	100	100
Societe des Mines de Syama S.A., Mali	Resolute (Somisy) Limited	80	80
Stockbridge Pty Ltd, Aust. (a),(b)	Resolute (Treasury) Pty Ltd	-	100
Tuki Nominees Pty Ltd, Aust. (a),(b)	Resolute Pty Ltd	-	100

(a) These entities are not required to be separately audited. An audit of the entity's results and position is performed for the purpose of inclusion in the consolidated entity's accounts.

(b) On 26 January 2011, Stockbridge Pty Ltd, Aust. and Tuki Nominees Pty Ltd, Aust. were de-registered.

Notes to the Financial Statements

NOTE 30: AUDITOR REMUNERATION

	CONSOLIDATED 2011 $'000	2010 $'000
Amounts received or due and receivable by Ernst & Young Australia, from entities in the consolidated entity or related entities:		
Auditing (i)	306,180	305,580
Taxation planning advice and review	102,890	81,560
	409,070	387,140
(i) Included in the current year is $9,000 (2010: $11,000) pertaining to additional work performed in relation to the audit of the prior year.		
Amounts received or due and receivable by a related overseas office of Ernst & Young, from entities in the consolidated entity or related entities:		
Auditing (Ernst & Young, Ghana and Tanzania)	12,111	6,646
Tax Advice (Ernst & Young, Ghana)	-	8,750
	12,111	15,396
Total amounts received or due and receivable by Ernst & Young globally	421,181	402,536
Amounts received or due and receivable by non Ernst & Young firms for auditing	40,149	37,522

NOTE 31: EMPLOYEE BENEFITS

(A) EMPLOYEE ENTITLEMENTS		
The aggregate employee entitlement liability is comprised of:		
Provisions (current) (Note 19)	6,197	4,724
Provisions (non current) (Note 19)	764	521
	6,961	**5,245**

(B) EMPLOYEE SHARE OPTION PLAN

An employee share option plan has been established where executives and members of staff of the consolidated entity are issued with options over the ordinary shares of RML. The options, issued for nil consideration, are issued in accordance with the terms and conditions of the shareholder approved RML Employee Share Option Plan and performance guidelines established by the directors of RML.

The options do not provide any dividend or voting rights. The options are not quoted on the ASX.

During the year the remaining balance of 55,000 options (Options C) were exercised. These options were issued on 24 March 2006 with an exercise price of $1.28 and an expiry date of 23 March 2011. One third of the options were able to be exercised 6 months after issue, a further one third 18 months after issue and the remaining one third 30 months after issue. Pursuant to the rights issues in the year ended 30 June 2008 and 30 June 2009, the strike price reduced by 16 cents, to $1.12 per option in accordance with the RML Share Option Plan.

Outstanding at balance date are 125,000 options (Options D) which are comprised of the opening balance of 255,000 less 130,000 options which lapsed during the year. These options were issued on 25 October 2006 with an exercise price of $1.48 and an expiry date of 24 October 2011. One third of the options were able to be exercised 6 months after issue, a further one third 18 months after issue and the remaining one third 30 months after issue. Pursuant to the rights issues in the years ended 30 June 2008 and 30 June 2009, the strike price reduced by 16 cents per option in accordance with the RML Share Option Plan. The strike price is now $1.32.

Notes to the Financial Statements

NOTE 31: EMPLOYEE BENEFITS (CONTINUED)

(B) EMPLOYEE SHARE OPTION PLAN (CONTINUED)

Also outstanding at balance date are 213,000 options (Options E). There was no change in the balance outstanding during the year. These options were issued on 25 March 2008 with an exercise price of $2.13 and an expiry date of 23 May 2013. One third of the options were able to be exercised 6 months after issue, a further one third 18 months after issue and the remaining one third 30 months after issue. Pursuant to the rights issues in the years ended 30 June 2008 and 30 June 2009, the strike price reduced by 1 cent per option in accordance with the RML Share Option Plan. The strike price is now $2.12.

Also outstanding at balance date are 51,000 options (Options F) which are comprised of the opening balance of 75,000 less 24,000 options which lapsed during the year. These options were issued on 29 August 2008 with an exercise price of $1.63. One third of the options were able to be exercised 6 months after issue, a further one third 18 months after issue and the remaining one third 30 months after issue. Pursuant to the rights issues in the year ended 30 June 2009, the strike price reduced by 1 cent per option in accordance with the RML Share Option Plan. The strike price is now $1.62.

Also outstanding at balance date are 680,667 options (Options G) which are comprised of the opening balance of 1,173,002 less 359,001 options exercised during the year and 133,334 options which lapsed during the year. These options were issued on 31 January 2009 with an exercise price of $0.42 and an expiry date of 31 January 2014. One third of the options were able to be exercised 12 months after issue, a further one third 18 months after issue and the remaining one third 30 months after issue.

Also outstanding at balance date are 739,000 options (Options H) which are comprised of the opening balance of 1,064,000, less 65,000 options exercised during the year and 260,000 options which lapsed during the year. These options were issued on 15 February 2010 with an exercise price of $1.09 and an expiry date of 14 February 2015. One third of the options were able to be exercised 6 months after issue, a further one third 18 months after issue and the remaining one third 30 months after issue.

Options I were granted under the employee share option plan on 30 June 2010 and subsequently issued on 16 July 2010. These options were comprised of 179,000 options with an exercise price of $1.21 and an expiry date of 15 July 2015. One third of the options were able to be exercised 6 months after issue, a further one third 18 months after issue and the remaining one third 30 months after issue. The balance of these options is 99,000 options, being 179,000 options less 80,000 options which lapsed during the year.

Options J were granted under the employee share option plan on 27 October 2010 and subsequently issued on 16 November 2010. These options were comprised of 135,000 options with an exercise price of $1.43 and an expiry date of 15 November 2015. One third of the options were able to be exercised 6 months after issue, a further one third 18 months after issue and the remaining one third 30 months after issue. The balance of these options is 135,000 at balance date.

Options K were granted under the employee share option plan on 2 December 2010 and subsequently issued on 5 January 2011. These options were comprised of 2,000,000 options with an exercise price of $1.36 and an expiry date of 4 January 2016. One third of the options were able to be exercised 6 months after issue, a further one third 18 months after issue and the remaining one third 30 months after issue. The balance of these options is 2,000,000 at balance date.

Options L were granted under the employee share option plan on 23 December 2010 and subsequently issued on 25 January 2011. These options were comprised of 1,338,000 options with an exercise price of $1.43 and an expiry date of 24 January 2016. One third of the options were able to be exercised 6 months after issue, a further one third 18 months after issue and the remaining one third 30 months after issue. The balance of these options is 1,163,000 options, being 1,338,000 options less 175,000 options which lapsed during the year.

Options M were granted under the employee share option plan on 29 June 2011 and subsequently issued on 30 June 2011. These options were comprised of 130,000 options with an exercise price of $1.18 and an expiry date of 15 July 2016. One third of the options are able to be exercised 6 months after issue, a further one third 18 months after issue and the remaining one third 30 months after issue. The balance of these options is 130,000 at balance date.

Notes to the Financial Statements

NOTE 31: EMPLOYEE BENEFITS (CONTINUED)

Employees will only be able to exercise the options allocated to them if they meet certain performance criteria. Details of the employee share option plan for both the parent and the consolidated entity are as follows:

	2011 Number of employee options	2011 Weighted average exercise price $	2010 Number of employee options	2010 Weighted average exercise price $
Balance at the beginning of the year	2,835,002	0.90	2,571,000	0.74
- granted	3,782,000	1.37	1,237,000	1.09
- exercised	(479,001)	0.59	(286,998)	0.42
- lapsed	(802,334)	1.17	(686,000)	0.85
Balance at end of year[a]	**5,335,667**	**1.22**	2,835,002	0.90
Vested and exercisable at the end of the year	**1,079,111**	**1.00**	406,000	1.47

(a) The weighted average remaining contractual life for the share options outstanding as at 30 June 2011 is 3.94 years (2010: 3.66 years).

The following tables summarises information about options exercised by employees during the year:

Number of options	Grant date	Exercise date	Expiry date	Weighted average exercise price $	Proceeds from shares issued $	Number of shares issued	Issue date of the shares	Fair value of shares issued $
2011								
149,999	31 Jan 09	11 Aug 10	31 Jan 14	0.42	63,000	149,999	11 Aug 10	0.76
137,335	31 Jan 09	14 Sep 10	31 Jan 14	0.42	57,681	137,335	14 Sep 10	1.20
21,667	31 Jan 09	6 Oct 10	31 Jan 14	0.42	9,100	21,667	6 Oct 10	1.40
50,000	31 Jan 09	23 Nov 10	31 Jan 14	0.42	21,000	50,000	23 Nov 10	1.32
50,000	15 Feb 10	23 Nov 10	14 Feb 15	1.09	54,500	50,000	23 Nov 10	1.32
45,000	24 Mar 06	23 Nov 10	23 Mar 11	1.12	50,400	45,000	23 Nov 10	1.32
15,000	15 Feb 10	10 Feb 11	14 Feb 15	1.09	16,350	15,000	10 Feb 11	1.38
10,000	24 Mar 06	10 Feb 11	23 Mar 11	1.12	11,200	10,000	10 Feb 11	1.38
2010								
137,000	31 Jan 09	15 Feb 10	31 Jan 14	0.42	57,540	137,000	15 Feb 10	0.98
38,333	31 Jan 09	26 Mar 10	31 Jan 14	0.42	16,100	38,333	26 Mar 10	1.00
66,666	31 Jan 09	1 Apr 10	31 Jan 14	0.42	28,000	66,666	1 Apr 10	1.10
44,999	31 Jan 09	16 Apr 10	31 Jan 14	0.42	18,900	44,999	16 Apr 10	1.20

Fair value of the shares issued is estimated to be the market price of the shares of Resolute Mining Limited on the ASX as at close of trading on their respective issue dates.

Notes to the Financial Statements

NOTE 31: EMPLOYEE BENEFITS (CONTINUED)

The following table lists the key variables used in the option valuation:

	OPTIONS D	OPTIONS E	OPTIONS F	OPTIONS G	OPTIONS H	OPTIONS I	OPTIONS J	OPTIONS K	OPTIONS L	OPTIONS M
Number of options at year end	125,000	213,000	51,000	680,667	739,000	99,000	135,000	2,000,000	1,163,000	130,000
Dividend yield (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Expected volatility (%)	50%	40%	40%	50%	50%	64%	63%	63%	63%	63%
Risk free interest rate (%)	5.50%	8.30%	7.00%	7.00%	7.00%	6.25%	6.25%	6.25%	6.25%	6.25%
Expected life of options (years)	5	5	5	5	5	5	5	5	5	5
Original option exercise price ($)	1.48	2.13	1.63	0.42	1.09	1.21	1.43	1.36	1.43	1.18
Share price at grant date ($)	1.35	1.94	1.48	0.38	0.99	1.08	1.28	1.22	1.27	1.13
Value per option at grant date ($)	0.65	0.88	0.64	0.20	0.49	0.61	0.73	0.70	0.72	0.66

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of options granted were incorporated into the measurement of fair value.

The fair value of the options is measured at the grant date using the Black and Scholes option pricing model taking into account the terms and conditions upon which the instruments were granted. The services received and liabilities to pay for those services are recognised over the expected vesting period.

The weighted average fair value of options granted during the year was $0.70 per option (2010: $0.42).

NOTE 32: CONTINGENT LIABILITIES & COMMITMENTS

CONTINGENT LIABILITIES

(a) Native Title Claims

Native title determination applications have been lodged with the National Native Title Tribunal established under the Native Title Act 1993 over areas of interest currently leased by the consolidated entity. Some of those claims have been accepted by the Tribunal. Acceptance of an application by the Tribunal is merely a preliminary step in the procedure established by the Native Title Act to determine whether or not native title exists. The final effect of these claims is not known and the claims are not currently affecting the mining and exploration projects of the consolidated entity.

(b) Tanzanian Tax Authorities

(i) General

The operations and earnings of the Group continue, from time to time, to be affected to varying degrees by fiscal, legislative, regulatory and political developments, including those relating to environmental protection, in the countries in which the Group operates.

The industry in which the Group is engaged is also subject to physical risks of various types. The nature and frequency of these developments and events, not all of which are covered by insurance, as well as their effect on future operations and earnings, are unpredictable.

Notes to the Financial Statements

NOTE 32: CONTINGENT LIABILITIES & COMMITMENTS (CONTINUED)

(ii) Corporations Tax Assessment

1) In 2005, Resolute (Tanzania) Limited ("RTL") received an income tax assessment from the Tanzanian Revenue Authority ("TRA"). The assessment is in relation to the period 1 July 1998 to 30 June 2004 and is for an amount of US$32.400 million. The assessment follows a review of RTL's affairs by a government appointed auditor. The review purports that RTL has not been able to substantiate the capital development costs and operating costs associated with the Golden Pride gold mine. In formulating the assessment, the TRA has decided to arbitrarily deny RTL deductions for 60% of its capital expenditure and 40% of all operating expenditure between 1 July 1998 and 30 June 2004. It has also increased assessable sales revenue by 40% over the same period, and did not recognise some of the carry forward losses for expenditures incurred prior to 30 June 1998.

The TRA assessment, in the Company's opinion, contains fundamental and material errors, has no substance or foundation in fact, and its issue appears to be a serious breach of due process. The Company strongly disputes the validity of the assessment and believes that there is no amount of income tax owing by RTL to the TRA. RTL will vigorously defend its position. Pursuant to the Tanzanian taxation system, taxpayers have the ability to object against an income tax assessment by lodging a deposit with the tax authorities equal to one third of the assessed amount. The deposit must be made within one month of receiving an assessment. An objection to the assessment and a waiver to the requirement to lodge a deposit has been lodged by RTL with the appropriate Authority.

An additional income tax assessment was received in June 2008 for US$1.600 million. The company believes that this assessment is equally flawed.

Considerable time has since lapsed, and no response has been received on RTL's objection or waiver request, nor has any attempt been made to enforce the payment of the assessed tax.

2) As previously reported in the prior period reports, in February 2009 and again in April 2011, MML received an assessment for US$4.700m from the TRA who claim that MML has entered into a tax avoidance scheme by not following through with its initial intention of liquidating MML in 2006. The TRA claim that MML ceased the liquidation of MML to avoid paying withholding tax that they believe would have been payable if MML had been liquidated and its retained profits distributed to RTL in the form of a dividend. In MML's opinion, the TRA assessment is fundamentally flawed and has no substance or foundation in fact. MML strongly disputes the validity of the assessment and believes there is no amount of withholding tax owing by MML to the TRA. MML has received professional advice confirming that even if MML were liquidated and its profits were distributed to RTL, no such withholding tax is payable on dividends paid by one Tanzanian entity to another. MML will vigorously defend its position and has applied for a waiver of any deposit payable to the TRA ordinarily required to defend the claim. A letter of objection was sent to the TRA in March 2009 and again in April 2011 and a request to the Commissioner General for a waiver of the one third tax deposit was submitted. A response to this request is yet to be received. In May 2011, a hearing before the Tax Revenue Appeals Board was successful in barring the TRA taking any recovery measures while the issue is before the court.

The financial effects of all of the above TRA assessments have not been recognised within the accounts.

(iii) Indirect Taxes

The TRA has changed its interpretation on the tax legislation relating to the fuel levy and fuel excise and duties ("fuel taxes"). The amount paid by RTL when it purchases fuel includes this payment of fuel taxes. The fuel supplier remits the fuel tax to the TRA, and as in a similar manner as is done with a Goods and Services Tax or a Value Added Tax, RTL would then lodge a claim to claim back from the TRA the fuel taxes it has paid to the supplier.

Up until December 2005, the TRA refunded all of the fuel taxes paid by RTL. From January 2006 onwards, the TRA has changed its interpretation and has denied further refunding of fuel taxes if the fuel is used by a sub-contractor.

The TRA had previously refunded 9.100b Tanzanian Shillings ("Tsh") (or US$5.987m) of fuel taxes to RTL during the period from 1999 to 2005, but due to their new interpretation are now arguing they should not have. As a result, they demanded that the refunded amount be returned by RTL to the TRA by 3 October 2008, which did not occur.

RTL strongly disagrees with the TRA revised interpretation and it will continue to vigorously defend its position. The majority of the amounts sought by the TRA are "time barred" and can only be claimed from RTL if RTL has acted in a fraudulent manner. RTL has acted in accordance with the law. In addition, further protection is provided to RTL by its Mining Development Agreement, which limits the amount of fuel taxes to be paid by RTL.

In October 2008, RTL lodged an appeal against this demand and was ordered to pay a deposit equal to one third of the amount in dispute for the case to be heard by the Tax Revenue Appeals Board (expected to be in 2011/12). Up until 30 June 2011, RTL has paid 3.030b Tsh (or US$2.023m) as a deposit to have its appeal heard. These deposits are treated as a non-current receivable.

(c) Tanesco Electricity Supply Contract

Tanesco (the Tanzanian national electricity provider) provides electricity to RTL pursuant to an Electricity Supply Agreement. The Agreement refers to an annual price escalation formula containing escalation factors that are open to interpretation. Pursuant to Tanesco's interpretation of the escalation formula, 4.700b Tsh (USD$3.200m) relating to amounts in excess of the general Tanzanian public rate covering the period from 1 January 2008 to 30 June 2008 was invoiced to RTL. The rates charged by Tanesco in their invoice were significantly higher than the general Tanzanian public rate. The amount recognised by RTL reflected the amounts payable to Tanesco by RTL if it had terminated the Agreement and elected to receive and pay for electricity under the general Tanzanian public rate. Contract discussions are continuing and both parties have confirmed their commitment to find a fair and reasonable solution.

Since 1 July 2008, RTL has continued to pay (or accrue) the electricity costs at the general Tanzanian public rate, as both Tanesco and RTL have agreed that while rate negotiations are ongoing, RTL will continue to pay the general Tanzanian public rate. The difference between the billed rate and the general Tanzanian public rate for electricity used by RTL between 1 July 2008 to 30 June 2009, which has not been accrued for or paid, is approximately 3.800b Tsh (or US$2.500m), bringing the total unrecognised amount in dispute to 8.500b Tsh (US$5.700m).

Notes to the Financial Statements

NOTE 32: CONTINGENT LIABILITIES & COMMITMENTS (CONTINUED)

(d) Syama Construction Contract

As part of the refurbishment and construction of the Syama gold mine in Mali, various contractors were engaged by Societe des Mines de Syama SA ("SOMISY") to perform specific tasks. The installation portion of the contract for the supply and installation of structural steel, mechanical, piping and platework for the refurbishment and construction of the mine was awarded to Group Five International Limited ("Group Five"). Group Five has lodged a claim of US$5.2m against SOMISY relating to the amount it believes is owing under this installation contract. SOMISY has not provided for any of the claimed amount in its accounts. SOMISY is conducting further investigation to determine the validity of this claim, and to date, has not received evidence that confirms this amount is payable to Group Five. Based on the information provided, SOMISY denies this amount is payable to Group Five and will strongly defend its position. Pursuant to the terms of the contract, Group Five has filed a Request for Arbitration with the Secretariat of the International Court of Arbitration in Paris, France.

(e) INPS claim

The Institut National de Prevoyance Sociale (INPS) in Mali has issued SOMISY with a CFA3.895b ($8.067m) assessment in relation to INPS allegedly owing on salaries paid by SOMISY to its expatriate employees between January 2005 and July 2010. Malian legislation requires the remittance of 24% of an employee's gross salary to the government's INPS department and is a form of social tax. In accordance with the Establishment Convention between the State of Mali and SOMISY, SOMISY is exempted from paying INPS on expatriate employees during the Syama mine Development Period. The Development Period is defined as being the period up to first commercial production (which is yet to occur). First commercial production is defined in the Establishment Convention as the date on which the Syama mine reaches 60 uninterrupted days of production at 90% of its design capacity of production as established in the submitted feasibility study. Syama is yet to achieve these production levels to date and consequently has not reached and declared first commercial production. As a result, the INPS assessment, which infers a first production date of January 2005, which is before the Syama redevelopment had even commenced, is considered to be fundamentally flawed and is being strongly disputed by SOMISY. The dispute was heard by the Malian Labour Tribunal in August 2011, which ruled that SOMISY owes CFA3.895b ($8.067m) to INPS. SOMISY is awaiting formal notification of this decision together with the Tribunal's rationale for this decision. When formal notification is received, an appeal will be immediately lodged. SOMISY has not provided for this assessment as a liability, as it is confident that it will win its appeal against the Labour Tribunal's decision when the matter is elevated for consideration at a higher level within the judicial system.

COMMITMENTS

(a) Randgold/Syama Royalty

Pursuant to the terms of the Syama Sale and Purchase agreement, Randgold Resources Limited will receive a royalty on Syama production, where the gold price exceeds US$350 per ounce, of US$10 per ounce on the first million ounces of gold production attributable to Resolute Mining Limited ("RML") and US$5 per ounce on the next three million attributable ounces of gold production.

(b) Nyakafuru Royalty

Resolute will be required to pay a royalty of US$10 per ounce for each additional resource ounce, attributable to the former Iamgold 34% interest that is proven up on the project, up to a total cap of US$3.75m.

Notes to the Financial Statements

NOTE 33: EARNINGS PER SHARE (EPS)

	CONSOLIDATED 2011	2010
Basic earnings per share		
Profit/(loss) used in calculation of basic earnings per share ($'000)	59,700	(37,173)
Weighted average number of ordinary shares outstanding during the period used in the calculation of basic EPS	444,809,350	375,297,701
Basic EPS (cents per share)	**13.42**	**(9.90)**
Diluted earnings per share		
Profit/(loss) used in calculation of basic earnings per share ($'000)	59,700	(37,173)
Tax effected interest on convertible notes ($'000)	8,305	6,363
Net profit/(loss) attributable to ordinary equity holders of the parent adjusted for the effect of convertible notes ($'000)	68,005	(30,810)
Weighted average number of ordinary shares outstanding during the period used in the calculation of basic EPS	444,809,350	375,297,701
Weighted average number of notional shares used in determining diluted EPS	175,133,158	n/a*
Weighted average number of ordinary shares outstanding during the period used in the calculation of diluted EPS	619,942,508	375,297,701
Number of potential ordinary shares that are not dilutive and hence not included in calculation of diluted EPS	1,873,000	200,669,184
Diluted EPS (cents per share)	**10.97**	**(9.90)**

* Dilutive instruments have not been included in the calculation of diluted earnings per share for 2010 because the result for the year was a loss.

Between the reporting date and the date of completion of these financial statements there have been the following transactions involving ordinary shares or potential ordinary shares:

(a) 246,334 unlisted and 723,492 listed options over Resolute Mining Limited Ordinary Shares were issued at an average exercise price of $0.65 per option.

INFORMATION ON THE CLASSIFICATION OF SECURITIES

(i) Options

Options granted to employees (including KMP) as described in Note 31 are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent they are dilutive. These options have not been included in the determination of basic earnings per share.

(ii) Convertible notes

Convertible notes are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share. The convertible notes have not been included in the determination of basic earnings per share.

Notes to the Financial Statements

NOTE 34: KEY MANAGEMENT PERSONNEL

(A) KEY MANAGEMENT PERSONNEL

(i) Directors

P. Huston	Non-Executive Chairman
P. Sullivan	Director and Chief Executive Officer
T. Ford	Non-Executive Director
H. Price	Non-Executive Director

(ii) Executives

G. Fitzgerald	General Manager - Finance & Administration and Company Secretary
P. Venn	General Manager - Business Development
P. Beilby	General Manager - Operations (Appointed 20 September 2010)
A. King	General Manager - Operations (Contract terminated 30 July 2010)

(B) COMPENSATION OF KEY MANAGEMENT PERSONNEL

Details of remuneration provided to key management personnel are as follows:

	CONSOLIDATED	
	2011	2010
	$	$
Short-term employee benefits	1,905,828	2,032,378
Post-employment benefits	264,157	199,175
Share-based payments	860,341	119,004
	3,030,326	**2,350,557**

Notes to the Financial Statements

NOTE 34: KEY MANAGEMENT PERSONNEL (CONTINUED)

(A) DETAILS OF OPTION HOLDINGS OF KEY MANAGEMENT PERSONNEL ARE AS FOLLOWS

2011	OPTIONS TYPE	BALANCE AT THE START OF THE YEAR	GRANTED DURING THE YEAR AS COMPENSATION (i)	GRANT DATE	FAIR VALUE OF OPTIONS AT GRANT DATE	TOTAL FAIR VALUE OF OPTIONS AT GRANT DATE	FIRST EXERCISE DATE OF OPTIONS GRANTED DURING THE YEAR
DIRECTORS					$	$	
P. Huston	Listed	26,761	-	-	-	-	-
P. Sullivan	Unlisted	-	2,000,000	2 Dec 2010	0.70	1,390,904	5 Jul 2011
P. Sullivan	Listed	133,333	-	-	-	-	-
T. Ford	Listed	133,333	-	-	-	-	-
H. Price	Listed	67,554	-	-	-	-	-
OFFICERS							
G. Fitzgerald	Unlisted	315,000	100,000	23 Dec 2010	0.72	71,980	25 Jul 2011
P. Beilby	Unlisted	-	90,000	27 Oct 2010	0.73	65,546	16 May 2011
P. Beilby	Unlisted	-	100,000	23 Dec 2010	0.72	71,980	25 Jul 2011
P. Venn	Unlisted	315,000	100,000	23 Dec 2010	0.72	71,980	25 Jul 2011
P. Venn	Listed	5,000	-	-	-	-	-
A. King (ii), (iii)	Unlisted	190,000	-	-	-	-	-

2010	OPTIONS TYPE	BALANCE AT THE START OF THE YEAR	GRANTED DURING THE YEAR AS COMPENSATION (i)	GRANT DATE	FAIR VALUE OF OPTIONS AT GRANT DATE	TOTAL FAIR VALUE OF OPTIONS AT GRANT DATE	FIRST EXERCISE DATE OF OPTIONS GRANTED DURING THE YEAR
DIRECTORS							
P. Huston	Listed	26,761	-	-	-	-	-
P. Sullivan	Listed	133,333	-	-	-	-	-
T. Ford	Listed	133,333	-	-	-	-	-
H. Price	Listed	67,554	-	-	-	-	-
OFFICERS							
G. Fitzgerald	Unlisted	225,000	90,000	15 Feb 2010	0.49	44,100	15 Aug 2010
P. Venn	Unlisted	225,000	90,000	15 Feb 2010	0.49	44,100	15 Aug 2010
P. Venn (v)	Listed	-	-	-	-	-	-
A. King (iv)	Unlisted	150,000	90,000	15 Feb 2010	0.49	44,100	15 Aug 2010

(i) Options granted vest in accordance with the Resolute Mining Limited Employee Share Option Plan following the review by the relevant supervisor of the key management personnel's performance. For details on the valuation of the options, including models and assumptions used, refer to Note 31. The percentage of options granted during the financial year that also vested during the financial year is 1.3% (2010: nil). None of these options were forfeited during the financial year.

(ii) On 30 July 2010, 50,000 options were exercised at a price of $0.42 per option. The fair value at grant date of the options exercised was $10,200. In each instance of exercising options, one ordinary share was issued for each option exercised. There were no unpaid amounts relating to any ordinary shares acquired through the exercise of options.

(iii) The value of options at the date of lapse was $69,900.

Notes to the Financial Statements

EXPIRY & LAST EXERCISE DATE OF OPTIONS GRANTED DURING THE YEAR	EXERCISE PRICE OF OPTIONS GRANTED DURING THE YEAR	EXERCISED DURING THE YEAR	LAPSED DURING THE YEAR	ACQUIRED DURING THE YEAR	BALANCE AT THE END OF THE YEAR	GRANTED & VESTED DURING THE YEAR	VESTED AND EXERCISABLE AT THE END OF THE YEAR		VALUE OF OPTIONS EXERCISED DURING THE YEAR
	$					No.	No.	%	$
-	-	-	-	-	26,761	-	26,761	100.00	-
4 Jan 2016	1.36	-	-	-	2,000,000	-	-	-	-
-	-	-	-	-	133,333	-	133,333	100.00	-
-	-	-	-	-	133,333	-	133,333	100.00	-
-	-	-	-	-	67,554	-	67,554	100.00	-
24 Jan 2016	1.43	-	-	-	415,000	-	205,000	49.40	-
15 Nov 2015	1.43	-	-	-	90,000	30,000	30,000	33.33	-
24 Jan 2016	1.43	-	-	-	100,000	-	-	-	-
24 Jan 2016	1.43	-	-	-	415,000	-	205,000	49.40	-
-	-	-	-	-	5,000	-	5,000	100.00	-
-	-	(50,000)	(140,000)	-	-	-	-	-	16,500

-	-	-	-	-	26,761	-	26,761	100.00	-
-	-	-	-	-	133,333	-	133,333	100.00	-
-	-	-	-	-	133,333	-	133,333	100.00	-
-	-	-	-	-	67,554	-	67,554	100.00	-
14 Feb 2015	1.09	-	-	-	315,000	-	100,000	31.75	-
14 Feb 2015	1.09	-	-	-	315,000	-	100,000	31.75	-
-	-	-	-	5,000	5,000	-	5,000	100.00	-
14 Feb 2015	1.09	(50,000)	-	-	190,000	-	-	-	32,500

(iv) On 1 April 2010, 50,000 options were exercised at a price of $0.42 per option. These options were due to expire on 31 January 2014. The fair value at grant date of the options exercised was $10,200. In each instance of exercising options, one ordinary share was issued for each option exercised. There were no unpaid amounts relating to any ordinary shares acquired through the exercise of options.

(v) During the year ended 30 June 2010, P. Venn acquired on the market 5,000 listed options over Resolute Mining Limited ordinary shares.

Notes to the Financial Statements

NOTE 34: KEY MANAGEMENT PERSONNEL (CONTINUED)

(B) DETAILS OF SHARE HOLDINGS OF KEY MANAGEMENT PERSONNEL ARE AS FOLLOWS

2011	BALANCE AT THE START OF THE YEAR	RECEIVED DURING THE YEAR ON THE EXERCISE OF OPTIONS	OTHER CHANGES DURING THE YEAR	BALANCE AT THE END OF THE YEAR
DIRECTORS				
P. Huston	401,421	-	-	401,421
P. Sullivan (i)	3,169,277	-	4,838	3,174,115
T. Ford (i)	26,477	-	104,838	131,315
H. Price (i)	24,772	-	2,419	27,191
OFFICERS				
G. Fitzgerald	-	-	-	-
P. Beilby	8,000	-	-	8,000
P. Venn	-	-	-	-
A. King (ii)	70,000	-	(70,000)	-

2010	BALANCE AT THE START OF THE YEAR	RECEIVED DURING THE YEAR ON THE EXERCISE OF OPTIONS	OTHER CHANGES DURING THE YEAR	BALANCE AT THE END OF THE YEAR
DIRECTORS				
P. Huston	401,421	-	-	401,421
P. Sullivan (i)	3,157,008	-	12,269	3,169,277
T. Ford (i)	14,208	-	12,269	26,477
H. Price (i)	18,638	-	6,134	24,772
OFFICERS				
G. Fitzgerald	-	-	-	-
P. Venn (iii)	16,000	-	(8,000)	8,000
A. King (iv)	20,000	50,000	-	70,000

Notes to the Financial Statements

NOTE 34: KEY MANAGEMENT PERSONNEL (CONTINUED)

(i) These shares were issued by the Company in lieu of interest owing on convertible notes held by the director.

(ii) A. King's shares are no longer held in the capacity as a member of key management personnel.

(iii) These shares were acquired or sold at the prevailing market price; no amounts remain unpaid as at 30 June 2010.

(iv) These shares were acquired through the exercise of options.

(C) DETAILS OF CONVERTIBLES NOTE HOLDINGS OF KEY MANAGEMENT PERSONNEL ARE AS FOLLOWS

2011	BALANCE AT THE START OF THE YEAR	ACQUIRED DURING THE YEAR	BALANCE AT THE END OF THE YEAR
DIRECTORS			
P. Huston	-	-	-
P. Sullivan	200,000	-	200,000
T. Ford	200,000	-	200,000
H. Price	100,000	-	100,000
OFFICERS			
G. Fitzgerald	-	-	-
P. Beilby	-	-	-
P. Venn	-	-	-
A. King	-	-	-

2010	BALANCE AT THE START OF THE YEAR	ACQUIRED DURING THE YEAR	BALANCE AT THE END OF THE YEAR
DIRECTORS			
P. Huston	-	-	-
P. Sullivan	200,000	-	200,000
T. Ford	200,000	-	200,000
H. Price	100,000	-	100,000
OFFICERS			
G. Fitzgerald	-	-	-
P. Venn	-	-	-
A. King	-	-	-

These convertible notes were acquired through participation in a capital raising.

Notes to the Financial Statements

NOTE 35: OPERATING SEGMENTS

The Group has identified three operating segments based on the internal reports that are reviewed and used by the chief executive officer and his management team (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

The operating segments are identified by management as being operating mine sites. Each of the mine sites are managed separately and they operate in different regulatory and economic environments.

The principal activities of each operating segment are gold mining and prospecting and exploration for minerals.

Information regarding the operations of each reportable segment is included below. Performance is measured based on ounces delivered and cost of production per ounce. Management believe that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within the gold mining industry.

The accounting policies used by the Group in reporting segments are the same as those used in the preparation of financial statements.

Inter-entity gold sales are recognised based on the prevailing spot price. The price is aimed to reflect what the segment would have achieved if it sold its gold to external parties at arm's length.

Income tax expense is calculated based on the segment operating net profit using a notional charge of the respective tax jurisdiction. No effect is given for taxable or deductible temporary differences.

The following items and associated assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

- Realised and unrealised treasury transactions, including derivative contract transactions;
- Finance costs - including adjustments on provisions due to discounting; and,
- Net gains/losses on disposal of available-for-sale investments.

Notes to the Financial Statements

NOTE 35: OPERATING SEGMENTS (CONTINUED)

2011	RAVENSWOOD (AUSTRALIA)	GOLDEN PRIDE (TANZANIA)	SYAMA (MALI)	UNALLOCATED CORP/OTHER	UNALLOCATED TREASURY	TOTAL
	$'000	$'000	$'000	$'000 (c)	$'000 (c)	$'000
Revenue						
Gold sales at spot to external customers (a)	170,036	176,745	116,130	-	-	462,911
Total segment gold sales revenue	**170,036**	**176,745**	**116,130**	**-**	**-**	**462,911**
Cash costs	(109,435)	(87,710)	(103,197)	-	-	(300,342)
Depreciation and amortisation	(24,791)	(6,502)	(31,098)	-	-	(62,391)
Other operating costs (b)	(5,672)	(9,383)	(4,175)	(682)	-	(19,912)
Other corporate/admin costs (b)	(64)	-	-	(4,585)	-	(4,649)
Segment operating result before treasury, other income/(expenses) and tax	**30,074**	**73,150**	**(22,340)**	**(5,267)**	**-**	**75,617**
Other income	-	-	-	1,073	572	1,645
Exploration expenditure	(2,374)	(1,950)	(2,933)	(1,469)	-	(8,726)
Finance costs	-	-	-	-	(19,597)	(19,597)
Realised loss on gold forward contracts delivered into with production	-	-	-	-	(17,856)	(17,856)
Other	-	-	-	(2,429)	-	(2,429)
Segment operating result before treasury and tax	**27,700**	**71,200**	**(25,273)**	**(8,092)**	**(36,881)**	**28,654**
Treasury - movement on gold forward contracts closed out	-	-	-	-	34,742	34,742
Treasury - other realised losses	-	-	-	-	(4,574)	(4,574)
Treasury - other unrealised losses	-	-	-	-	730	730
Income tax expense	-	(16,314)	-	(308)	-	(16,622)
Net profit/(loss) after tax	**27,700**	**54,886**	**(25,273)**	**(8,400)**	**(5,983)**	**42,930**

Notes to the Financial Statements

NOTE 35: OPERATING SEGMENTS (CONTINUED)

2011	RAVENSWOOD (AUSTRALIA)	GOLDEN PRIDE (TANZANIA)	SYAMA (MALI)	UNALLOCATED CORP/OTHER	UNALLOCATED TREASURY	TOTAL
	$'000	$'000	$'000	$'000 (c)	$'000 (c)	$'000
Reconciliation of total segment revenue to statement of comprehensive income:						
Total segment gold sales revenue to external customers						462,911
Realised loss on gold forward contracts						(17,856)
Total revenue per statement of comprehensive income						**445,055**
Cash flow by segment, including receivables - gold bullion sales	**23,541**	**60,409**	**(29,779)**	**(3,193)**	**(53,221)**	**(2,243)**
Reconciliation of cash flow by segment to the cash flow statement:						
Movement in receivables - gold bullion sales						(4,803)
Movement in bank overdraft						(1,183)
Exchange rate adjustment						822
Movement in cash and cash equivalents per cash flow statement						**(7,407)**
Capital expenditure	12,545	1,021	6,704	217	-	20,487
Segment assets	130,130	65,500	354,333	28,872	11	578,846
Segment liabilities	39,257	24,392	37,064	10,557	113,258	224,528

Notes to the Financial Statements

NOTE 35: OPERATING SEGMENTS (CONTINUED)

2010	RAVENSWOOD (AUSTRALIA)	GOLDEN PRIDE (TANZANIA)	SYAMA (MALI)	UNALLOCATED CORP/OTHER	UNALLOCATED TREASURY	TOTAL
	$'000	$'000	$'000	$'000 (c)	$'000 (c)	$'000
Revenue						
Gold sales at spot to external customers (a)	158,456	181,446	54,034	-	-	393,936
Total segment gold sales revenue	**158,456**	**181,446**	**54,034**	**-**	**-**	**393,936**
Cash costs	(101,081)	(86,617)	(46,441)	-	-	(234,139)
Depreciation and amortisation	(21,034)	(6,155)	(15,952)	-	-	(43,141)
Other operating costs (b)	(6,112)	(6,990)	(291)	(388)	-	(13,781)
Other corporate/admin costs (b)	(53)	-	-	(4,353)	-	(4,406)
Segment operating result before treasury, other income/(expenses) and tax	**30,176**	**81,684**	**(8,650)**	**(4,741)**	**-**	**98,469**
Other income	38	9	-	10,023	294	10,364
Exploration expenditure	(1,586)	(2,415)	(2,995)	(2,284)	-	(9,280)
Finance costs	-	-	-	-	(11,220)	(11,220)
Realised loss on gold forward contracts delivered into with production	-	-	-	-	(51,452)	(51,452)
Other	-	-	-	(1,052)	-	(1,052)
Segment operating result before unrealised treasury, other income/(expenses) and tax	**28,628**	**79,278**	**(11,645)**	**1,946**	**(62,378)**	**35,829**
Treasury - other realised losses	-	-	-	-	195	195
Treasury - other unrealised losses	-	-	-	-	(75,976)	(75,976)
Income tax (expense)/benefit	(2,290)	(15,555)	-	1,226	-	(16,619)
Net profit/(loss) after tax	**26,338**	**63,723**	**(11,645)**	**3,172**	**(138,159)**	**(56,571)**

Notes to the Financial Statements

NOTE 35: OPERATING SEGMENTS (CONTINUED)

2010	RAVENSWOOD (AUSTRALIA)	GOLDEN PRIDE (TANZANIA)	SYAMA (MALI)	UNALLOCATED CORP/OTHER	UNALLOCATED TREASURY	TOTAL
	$'000	$'000	$'000	$'000 (c)	$'000 (c)	$'000
Reconciliation of total segment revenue to statement of comprehensive income:						
Total segment gold sales revenue to external customers						393,936
Realised loss on gold forward contracts						(59,084)
Amortisation of gold hedge reserve						7,632
Total revenue per statement of comprehensive income						**342,484**
Cash flow by segment, including receivables - gold bullion sales	**30,292**	**73,726**	**(49,711)**	**(5,898)**	**(33,360)**	**15,049**
Reconciliation of cash flow by segment to the cash flow statement:						
Movement in receivables - gold bullion sales						(9,405)
Movement in bank overdraft						(538)
Exchange rate adjustment						(43)
Movement in cash and cash equivalents per cash flow statement						**5,063**
Capital expenditure	18,160	3,407	67,303	8,936	-	97,806
Segment assets	121,117	79,131	380,726	31,572	89	612,635
Segment liabilities	26,983	24,685	40,929	6,373	230,625	329,595

(a) Revenue from external sales for each reportable segment is derived from several customers. The customers each make up greater than 10% of the respective segments' sales revenue.

(b) Includes inter-segment revenue and expenditure.

(c) This information does not represent an operating segment as defined by AASB 8, however this information is analysed in this format by the Chief Operating Decision Makers, and forms part of the reconciliation of the results and positions of the operating segments to the financial statements.

Notes to the Financial Statements

NOTE 36: FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including gold price risk, diesel fuel price risk, currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks, where considered appropriate, to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments to manage certain risk exposures. Derivatives have been used exclusively for managing financial risks, and not as trading or other speculative instruments.

Risk management is carried out by the Group's Financial Risk Management Committee under policies approved by the Board of Directors. The Financial Risk Management Committee identifies, evaluates and manages financial risks as deemed appropriate. The Board provides guidance for overall risk management, including guidance on specific areas, such as mitigating commodity price, foreign exchange, interest rate and credit risks, by using derivative financial instruments.

(A) MARKET RISK

Use of derivative instruments to assist in managing gold price risk

The Group is exposed to movements in the gold price. As part of the risk management policy of the Group and in compliance with the conditions required by the Group's financiers, a variety of financial instruments (such as gold forward sales contracts, gold call options and gold put options) are used from time to time to reduce exposure to unpredictable fluctuations in the project life revenue streams. Within this context, the programs undertaken are structured with the objective of retaining as much upside to the gold price as possible, but in any event, by limiting derivative commitments to no more than 50% of the Group's gold reserves. The value of these financial instruments at any given point in time, will in times of volatile market conditions, show substantial variation over the short term. The facilities provided by the Group's various counterparties do not contain margin calls. The Group does not hedge account for these instruments as at balance date as noted below.

During the financial year, the Group delivered 32,013 ounces of gold into forward sales contracts at an average price of A$797 per ounce (2010: 114,423 ounces of gold at an average price of A$731 per ounce).

Details of the gold derivative contracts at year end are shown below. To calculate the Group's total gold derivative contracts in the table below, gold denominated in USD has been converted to an AUD equivalent using the year end USD/AUD spot rate of US$1.0718 (2010: US$0.8520).

Gold forwards and put options

	FORWARD SALES		PUT OPTIONS BOUGHT		TOTAL	
2011	OUNCES	SALES PRICE $/OUNCE	OUNCES	STRIKE PRICE $/OUNCE	OUNCES	$/OUNCE
AUD Denominated Contracts						
Maturity within 1 year	-	-	57,200	1,000	57,200	1,000
2010						
AUD Denominated Contracts						
Maturity within 1 year	128,065	761	52,800	1,000	180,865	830
Between 1 and 2 years	27,015	726	57,200	1,000	84,215	912
Total	155,080	755	110,000	1,000	265,080	856

Movements in the fair value of these contracts are accounted for through the consolidated statement of comprehensive income. From 1 July 2007, no contracts satisfy the criteria for hedge accounting. As at 30 June 2007, 625,404 contracted ounces met the criteria for hedge accounting. As a result $43.4m was deferred in equity in the prior years. In accordance with the accounting policy at Note 1(n) this amount was transferred to the consolidated statement of comprehensive income when the forecasted sales transaction occurred. There were no amounts remaining in reserves by the end of 30 June 2010.

Notes to the Financial Statements

NOTE 36: FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

Diesel fuel price risk

The Group is exposed to movements in the diesel fuel price. The costs incurred purchasing diesel fuel for use by the Group's operations is significant. The Group's Financial Risk Management Committee continues to manage and monitor diesel fuel price risk. At present, the Group does not specifically hedge its exposure to diesel fuel price movements.

Foreign exchange currency risk

The Group receives USD proceeds on the sale of some of its gold production and significant costs for the Syama Gold Project and the Golden Pride Project are denominated in both USD and the local currencies of those operations, and as such movements within these currencies expose the Group to exchange rate risk.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency. The risk can be measured by performing a sensitivity analysis that quantifies the impact of different assumed exchange rates on the Group's forecast cash flows.

The Group's Financial Risk Management Committee continues to manage and monitor foreign exchange currency risk. At present, the Group does not specifically hedge its exposure to foreign currency exchange rate movements.

The Group's exposure to foreign exchange currency risk at the reporting date was as follows:

2011	UNITED STATES DOLLARS	AUSTRALIAN DOLLARS	TANZANIAN SHILLINGS	OTHER	NO FOREIGN CURRENCY RISK	TOTAL
	$'000	$'000	$'000	$'000	$'000	$'000
Financial Assets						
Cash	3,944	92	381	-	6,796	11,213
Receivables	129	12	3,914	-	18,212	22,267
Available for sale financial assets	-	-	-	-	692	692
Financial derivative assets	-	-	-	-	11	11
	4,073	104	4,295	-	25,711	34,183
Financial Liabilities						
Payables	2,993	7,303	42	677	36,418	47,433
Interest bearing liabilities (i)	23,867	-	-	-	78,013	101,880
Financial derivative liabilities	-	-	-	-	18,910	18,910
	26,860	7,303	42	677	133,341	168,223

Notes to the Financial Statements

NOTE 36: FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

2010	UNITED STATES DOLLARS	AUSTRALIAN DOLLARS	TANZANIAN SHILLINGS	OTHER	NO FOREIGN CURRENCY RISK	TOTAL
	$'000	$'000	$'000	$'000	$'000	$'000
Financial Assets						
Cash	3,540	987	1,725	15	11,992	18,259
Receivables	9,614	83	10,128	8	445	20,278
Available for sale financial assets	-	-	-	126	692	818
Financial derivative assets	-	-	-	-	990	990
	13,154	1,070	11,853	149	14,119	40,345
Financial Liabilities						
Payables	6,493	2,031	868	3,317	34,943	47,652
Interest bearing liabilities (i)	49,327	-	-	-	73,418	122,745
Financial derivative liabilities	-	-	-	-	113,101	113,101
Other financial liabilities	37	-	-	-	-	37
	55,857	2,031	868	3,317	221,462	283,535

(i) Several of the intercompany balances between Group entities create foreign exchange differences which have historically been material and are not eliminated from the Group's consolidated statement of comprehensive income (Refer to note 2(j)). Those intercompany balances are not shown here as they are eliminated from the Group's consolidated statement of financial position. Refer to the table below for the significant intercompany balances outstanding at 30 June 2011.

	FACILITY CURRENCY DENOMINATION	FUNCTIONAL CURRENCY OF THE BORROWER	AUD EQUIVALENT 2011	2010
			$'000	$'000
Resolute Mining Limited (beneficiary)/Resolute (Somisy) Limited	AUD	Central African Francs	436,601	410,499
Resolute (Tanzania) Limited (beneficiary)/Resolute Pty Ltd	USD	AUD	107,179	68,541
			543,780	479,040

Notes to the Financial Statements

NOTE 36: FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

(B) INTEREST RATE RISK

The Group's main interest rate risk arises from long term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. For the 2011 and 2010 financial years, the majority of the Group's borrowings have been denominated in both USD and AUD.

The Group constantly analyses its interest rate exposure. Within this analysis consideration is given to the potential renewals of existing positions, alternative financing, alternative hedging positions and the mix of fixed and variable interest rates. There is no intention at this stage to enter into any interest rate swaps.

The following tables summarises the financial assets and liabilities of the Group, together with effective interest rates as at balance date.

2011	FLOATING INTEREST RATE	FIXED INTEREST RATE MATURING IN			NON INTEREST BEARING	TOTAL	AVERAGE INTEREST RATE	
		< 1 YEAR	1 TO 5 YEARS	> 5 YEARS			FLOATING	FIXED
	$'000	$'000	$'000	$'000	$'000	$'000		
Financial Assets								
Cash	11,213	-	-	-	-	11,213	3.6%	-
Receivables	-	-	-	-	22,267	22,267	-	-
Available for sale financial assets	-	-	-	-	692	692	-	-
Financial derivative assets	-	-	-	-	11	11	-	-
	11,213	-	-	-	22,970	34,183		
Financial Liabilities								
Payables	-	-	-	-	47,433	47,433	-	-
Interest bearing liabilities	19,609	15,118	67,153	-	-	101,880	4.2%	14.6%
Financial derivative liabilities	-	18,910	-	-	-	18,910	-	5.4%
	19,609	34,028	67,153	-	47,433	168,223		

2010								
Financial Assets								
Cash	18,259	-	-	-	-	18,259	1.5%	-
Receivables	-	-	-	-	20,278	20,278	-	-
Available for sale financial assets	-	-	-	-	818	818	-	-
Financial derivative assets	-	-	-	-	990	990	-	-
	18,259	-	-	-	22,086	40,345		
Financial Liabilities								
Payables	-	-	-	-	47,652	47,652	-	-
Interest bearing liabilities	37,455	13,123	72,167	-	-	122,745	5.4%	15.2%
Financial derivative liabilities	-	92,075	21,026	-	-	113,101	-	9.9%
Financial liabilities	-	-	-	-	37	37	-	-
	37,455	105,198	93,193	-	47,689	283,535		

Notes to the Financial Statements

NOTE 36: FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

(C) CREDIT RISK EXPOSURE

The Group's exposure to credit risk arises from potential default of the counterparty, with a maximum exposure equal to the carrying amount of the financial assets.

Credit risk is managed on a Group basis. Credit risk predominately arises from cash, cash equivalents, derivative financial instruments, deposits with banks and financial institutions and receivables from statutory authorities. For derivative financial instruments, management mitigates some credit risk by using a number of different hedging counterparties.

Credit risk further arises in relation to financial guarantees given to certain parties. Such guarantees are only provided in exceptional circumstances and are subject to Financial Risk Management Committee approval. Refer to Note 17 (a) and (b) and Note 20 for information on guarantees provided.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

	CONSOLIDATED	
	2011 $'000	2010 $'000
Cash at bank & short term deposits		
Counterparties with external credit ratings		
A	9,801	13,562
BBB	1,282	4,376
Counterparties without external credit ratings		
No rating	130	321
Total cash at bank & short term deposits	11,213	18,259
Trade receivables		
Counterparties with external credit ratings		
AA+	1,218	1,132
B-	-	579
Counterparties without external credit ratings *		
Group 1	3,029	2,249
Group 2	8,193	11,500
Total trade receivables	12,440	15,460
Financial derivative assets		
Counterparties with external credit ratings		
A	11	990
Total financial derivative assets	11	990

* Group 1 refers to existing counterparties with no defaults in the past. Group 2 refers to existing counterparties where difficulty in recovering these debts in the past has been experienced.

Notes to the Financial Statements

NOTE 36: FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

(D) LIQUIDITY RISK

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, or having the availability of funding through an adequate amount of undrawn committed credit facilities.

As at 30 June 2011, the Group had $12.176m (AUD equivalent) (2010: $4.700m (AUD equivalent)) in unused financing facilities.

The remaining contractual maturities of the Group's financial liabilities, including future finance costs, are:

Liquidity analysis

	CONSOLIDATED					
	2011 $'000			2010 $'000		
	NON-DERIVATIVE	DERIVATIVE	TOTAL	NON-DERIVATIVE	DERIVATIVE	TOTAL
Due within 1 to 3 months	79,096	-	79,096	53,912	28,952	82,864
Due within 4 months to one year	24,235	-	24,235	40,337	21,812	62,149
Due between one and five years	84,851	-	84,851	114,952	62,337	177,289
Total contractual repayments	188,182	-	188,182	209,201	113,101	322,302
Less finance charges	(19,959)	-	(19,959)	(38,767)	-	(38,767)
Present value of minimum repayments	168,223	-	168,223	170,434	113,101	283,535

(E) INSTRUMENTS RECOGNISED AT AMOUNTS OTHER THAN FAIR VALUE

Except for the liability portion of the convertible notes, the fair value of all the Group's financial instruments recognised in the financial statements approximates or equals their carrying amounts.

The fair value of the liability portion of the convertible notes is estimated using the market interest rate available to the issuer for an instrument with identical terms but without the conversion option.

Notes to the Financial Statements

NOTE 36: FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

(F) FAIR VALUES FOR INSTRUMENTS RECOGNISED AT FAIR VALUE

The Group uses various methods in estimating the fair value of a financial instrument. The methods comprise:

- Level 1 - the fair value is calculated using quoted prices in active markets.
- Level 2 - the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
- Level 3 - the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

The fair value of the financial instruments as well as the methods used to estimate the fair value are summarised in the table below.

	QUOTED MARKET PRICE (LEVEL 1) $'000	VALUATION TECHNIQUE - MARKET OBSERVABLE INPUTS (LEVEL 2) $'000	VALUATION TECHNIQUE - NON MARKET OBSERVABLE INPUTS (LEVEL 3) $'000	TOTAL $'000	QUOTED MARKET PRICE (LEVEL 1) $'000	VALUATION TECHNIQUE - MARKET OBSERVABLE INPUTS (LEVEL 2) $'000	VALUATION TECHNIQUE - NON MARKET OBSERVABLE INPUTS (LEVEL 3) $'000	TOTAL $'000
Financial Assets								
Available for sale financial assets	692	-	-	692	818	-	-	818
Financial derivative assets	-	11	-	11	-	990	-	990
	692	11	-	703	818	990	-	1,808
Financial Liabilities								
Financial derivative liabilities	-	-	-	-	-	113,101	-	113,101
	-	-	-	-	-	113,101	-	113,101

Quoted market price represents the fair value determined based on quoted prices on active markets as at the reporting date without any deduction for transaction costs. The fair value of the listed equity investments are based on quoted market prices.

For financial instruments not quoted in active markets, the Group uses a valuation technique such as present value techniques, comparison to similar instruments for which market observable prices exist and other relevant models used by market participants. These valuation techniques use both observable and unobservable market inputs.

Financial instruments that use valuation techniques with only observable market inputs or unobservable inputs that are not significant to the overall valuation include forward commodity contracts.

The fair value of other debt and equity securities, as well as other investments that do not have an active market, are based on valuation techniques using market data that is not observable. Where the impact of credit risk on the fair value of a derivative is significant, and the inputs on credit risk are not observable, the derivative would be classified as based on non observable market inputs (Level 3). Certain long dated forward commodity contracts where there are no observable forward prices in the market are classified as Level 2 as the unobservable inputs are not considered significant to the overall value of the contract.

(G) TRANSFER BETWEEN CATEGORIES

There were no transfers between Level 1 and Level 2 during the year.

Notes to the Financial Statements

NOTE 36: FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

(H) SENSITIVITY ANALYSIS

The following table summarises the post tax effect of the sensitivity of the Group's financial assets and financial liabilities on profit and equity at balance date to interest rate risk, foreign exchange currency risk and gold price risk.

The sensitivity analysis below is based on movements that are reasonably possible in interest rates, foreign exchange currency rates and the gold price based on historical information and future expectations.

CONSOLIDATED		INTEREST RATE RISK			
		-1%		+1%	
2011	CARRYING AMOUNT	PROFIT	EQUITY	PROFIT	EQUITY
	$'000	$'000	$'000	$'000	$'000
Financial Assets					
Cash and cash equivalents	11,213	(78)	(78)	78	78
Trade and other receivables	22,267	-	-	-	-
Financial derivative assets	11	1	1	(1)	(1)
Financial Liabilities					
Payables	47,433	-	-	-	-
Interest bearing liabilities	101,880	146	146	(146)	(146)
Financial liabilities	18,910	-	-	-	-
Total increase/(decrease)		69	69	(69)	(69)

2010					
Financial Assets					
Cash and cash equivalents	18,259	(128)	(128)	128	128
Trade and other receivables	20,278	-	-	-	-
Available for sale financial assets	818	-	-	-	-
Financial derivative assets	990	77	77	(70)	(70)
Financial Liabilities					
Payables	47,652	-	-	-	-
Interest bearing liabilities	122,745	275	275	(275)	(275)
Financial derivative liabilities	113,101	451	451	(445)	(445)
Other financial liabilities	37	-	-	-	-
Total increase/(decrease)		675	675	(662)	(662)

Notes to the Financial Statements

	FOREIGN EXCHANGE RISK				GOLD PRICE RISK			
	-10%		+10%		-10%		+10%	
	PROFIT	EQUITY	PROFIT	EQUITY	PROFIT	EQUITY	PROFIT	EQUITY
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
	319	319	(261)	(261)	-	-	-	-
	315	315	(257)	(257)	-	-	-	-
	-	-	-	-	39	39	(6)	(6)
	(829)	(829)	681	681	-	-	-	-
	(1,959)	(1,959)	1,602	1,602	-	-	-	-
	-	-	-	-	-	-	-	-
	(2,154)	(2,154)	1,765	1,765	39	39	(6)	(6)

	621	621	(421)	(421)	-	-	-	-
	1,489	1,489	(1,217)	(1,217)	-	-	-	-
	(9)	(9)	9	9	-	-	-	-
	(341)	(341)	537	537	611	611	(316)	(316)
	(571)	(571)	496	496	-	-	-	-
	(38,933)	(38,933)	31,854	31,854	-	-	-	-
	(17,649)	(17,649)	14,440	14,440	15,877	15,877	(15,877)	(15,877)
	-	-	-	-	-	-	-	-
	(55,393)	(55,393)	45,698	45,698	16,488	16,488	(16,193)	(16,193)

Notes to the Financial Statements

NOTE 37: SALE OF SUBSIDIARIES

During the year ended 30 June 2010 the Group sold a number of its Ghanaian subsidiaries to Viking Ashanti Limited. Consideration was received in the form of 23 million ordinary shares in Viking Ashanti (33.25% of the ordinary share capital) and cash.

Assets and liabilities of disposed entities:

The major classes of assets and liabilities are as follows:

	ASSOCIATED GOLD FIELDS PTY LTD $'000	GHANA MINING INVESTMENTS PTY LTD $'000	KIWI INTERNATIONAL RESOURCES PTY LTD $'000	OBENEMASE GOLD MINES LTD $'000	RESOLUTE AMANSIE LIMITED $'000	KIWI GOLDFIELDS LIMITED $'000	ABORE MINING COMPANY LIMITED $'000	TOTAL $'000
Assets								
Trade and other receivables	-	-	-	12	890	1	-	903
Inventories	-	-	-	-	26	-	-	26
Property, plant and equipment	-	-	-	-	35	-	-	35
Other	-	-	-	-	66	-	-	66
	-	-	-	12	1,017	1	-	1,030
Liabilities								
Trade and other payables	-	-	-	(37)	(85)	-	(2)	(124)
	-	-	-	(37)	(85)	-	(2)	(124)
Net (liabilities)/assets attributable to subsidiaries disposed of	-	-	-	(25)	932	1	(2)	906

Notes to the Financial Statements

NOTE 37: SALE OF SUBSIDIARIES (CONTINUED)

GAIN ON DISPOSAL OF SUBSIDIARY

	CONSOLIDATED 2010 $'000
Consideration received:	
Shares in Viking Ashanti Limited	6,000
Cash	284
Total consideration	6,284
Less net assets of entities disposed	(906)
Add foreign currency translation disposed of	1,886
Gain on disposal of subsidiaries before income tax	7,264
Other costs incidental to sale	(56)
Income tax expense	-
Gain on disposal of subsidiaries after income tax	7,208
Net cash inflow on disposal:	
Cash and cash equivalents consideration	284
Less cash and cash equivalents balance disposed of:	-
Reflected in the consolidated statement of cash flows	284

Notes to the Financial Statements

NOTE 38: SUBSEQUENT EVENTS

No significant events have occurred from 30 June 2011 to the date of this report.

NOTE 39: PARENT ENTITY INFORMATION

Information relating to Resolute Mining Limited:

	AS AT 30 JUNE	
	2011 $'000	2010 $'000
Current Assets	1,754	2,422
Total Assets	454,223	434,803
Current Liabilities	14,105	17,770
Total Liabilities	88,702	105,315
Issued Capital	287,139	237,083
Retained Earnings	55,395	70,114
Convertible Note Equity Reserve	11,198	11,646
Option Equity Reserve	8,554	8,554
Share Based Payments Reserve	3,236	2,021
Reserves-Unrealised Gain/Loss	-	70
Total Shareholders Equity	365,522	329,488
Loss of Resolute Mining Limited	(14,719)	(8,864)
Total comprehensive expense of Resolute Mining Limited	(14,719)	(8,794)

Refer to Note 32 for the contingent liabilities and commitments of Resolute Mining Limited.

The parent company guarantee provided by the Resolute Mining Limited as outlined in Note 17(a) has a written down value of five thousand dollars as at 30 June 2011 (30 June 2010: one thousand dollars).

Directors' Declaration

In accordance with a resolution of the directors of Resolute Mining Limited, I state that:

In the opinion of the directors:

(a) The financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and,

  (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*;

(b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 1(a);

(c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and,

(d) this declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2011.

On behalf of the Board

P.R. Sullivan
Director

Perth, Western Australia
22 September 2011

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Independent audit report to members of Resolute Mining Limited

Report on the financial report

We have audited the accompanying financial report of Resolute Mining Limited, which comprises the consolidated statement of financial position as at 30 June 2011, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements* ("AASB 101"), that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

Opinion

In our opinion:

a. the financial report of Resolute Mining Limited is in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and

   (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 9 to 19 of the directors' report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Resolute Mining Limited for the year ended 30 June 2011, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

Gavin Buckingham

Gavin A Buckingham
Partner
Perth
22 September 2011

Shareholder Information

TWENTY LARGEST SHAREHOLDERS AS AT 30 SEPTEMBER 2011

NAME	NUMBER OF ORDINARY SHARES	% OF ISSUED CAPITAL
J P Morgan Nominees Australia Limited	127,804,799	27.25%
HSBC Custody Nominees Australia Limited	122,252,112	26.06%
National Nominees Limited	71,777,545	15.30%
Citicorp Nominees Pty Ltd	16,990,660	3.62%
JP Morgan Nominees Australia Limited (Cash income A/C)	14,153,254	3.02%
Merrill Lynch Australia Nominees Pty Ltd	13,929,356	2.97%
AMP Life Limited	8,158,150	1.74%
Equity Trustees Limited	6,408,653	1.37%
Queensland Investments Corporation	3,410,403	0.73%
Lim Sun Heng	2,449,800	0.52%
Mr Peter Sullivan	2,400,000	0.51%
Avanteos Investments Limited (Symetry Retire)	2,231,914	0.48%
Cogent Nominees Pty Ltd	2,098,289	0.45%
Cogent Nominees Pty Ltd (SMP A/C)	2,011,950	0.43%
Berhad Lyne Ching SDN	1,980,484	0.42%
NEFCO Nominees Pty Ltd	1,733,518	0.37%
Jersey Investments WA Pty Ltd	1,650,000	0.35%
HSBC Custody Nominees Australia Limited	1,475,547	0.31%
RBC Dexia Investor SVCS A (MLCI A/C)	1,423,906	0.30%
Share Direct Nominees Pty Ltd	1,333,303	0.28%
	405,673,643	86.48%

ANNEX

INFORMATION ON RESOLUTE MINING LIMITED

Section B – Historical Financial Information

2. 2010 Accounts

The Financial Statements, Notes and Audit Report for the year ended 30 June 2010 from Resolute Mining Limited's 2010 Annual Report and Accounts have been reproduced as pages 199 to 268 of this document.

Consolidated Statement of Comprehensive Income

for the year ended 30 June 2010

	NOTE	CONSOLIDATED 10 $'000	09 $'000
Continuing Operations			
Revenue from gold sales	2(a)	342,484	299,713
Costs of production relating to gold sales	2(b)	(229,007)	(200,589)
Gross profit before depreciation, amortisation and other operating costs		113,477	99,124
Depreciation and amortisation relating to gold sales	2(c)	(43,141)	(27,578)
Other operating costs relating to gold sales	2(d)	(16,565)	(12,660)
Gross profit		**53,771**	**58,886**
Other revenue	2(e)	294	1,633
Other income	2(f)	11,620	10,858
Exploration expenditure		(9,280)	(11,543)
Share of associate's loss		(258)	-
Administration and other expenses	2(g)	(8,903)	(27,564)
Profit before unrealised treasury, tax and finance costs		47,244	32,270
Finance costs	2(h)	(11,220)	(4,069)
Profit before unrealised treasury and tax		36,024	28,201
Treasury - unrealised (losses)/gains	2(i)	(75,976)	1,141
(Loss)/profit before income tax		**(39,952)**	**29,342**
Tax (expense)/benefit	3	(16,619)	1,334
Net (loss)/profit for the year		**(56,571)**	**30,676**
Net (loss)/profit attributable to:			
Members of the parent		(37,173)	30,676
Non-controlling interest		(19,398)	-
		(56,571)	**30,676**

Consolidated Statement of Comprehensive Income (continued)

for the year ended 30 June 2010

	NOTE	CONSOLIDATED 10 $'000	CONSOLIDATED 09 $'000
Net (loss)/profit for the year (brought forward)		**(56,571)**	**30,676**
Other comprehensive (loss)/income			
Exchange differences on translation of foreign operations:			
- Members of the parent		1,538	9,816
- Transferred to profit and loss - disposed subsidiaries		(1,886)	-
- Non-controlling interest		1,607	-
Cash flow hedges: Transfer to profit and loss, net of tax		(5,343)	(4,105)
Impairment of available for sale financial assets, net of tax		-	(2,198)
Changes in the fair value of available for sale financial assets, net of tax		(200)	2,499
Other comprehensive (loss)/income for the period, net of tax		(4,284)	6,012
Total comprehensive (loss)/income for the period		**(60,855)**	**36,688**
Total comprehensive (loss)/income attributable to:			
Members of the parent		(43,064)	36,688
Non-controlling interest		(17,791)	-
		(60,855)	**36,688**
Earnings per share for net (loss)/profit attributable to the ordinary equity holders of the parent:			
Basic (loss)/earnings per share	33	**(9.90)**	**10.30**
Diluted (loss)/earnings per share	33	**(9.90)**	**9.74**

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

as at 30 June 2010

	NOTE	CONSOLIDATED 10 $'000	09 $'000
Current assets			
Cash	5	18,259	12,701
Receivables - gold bullion sales		9,662	257
Receivables - other	6	6,533	4,396
Inventories	7	85,754	75,265
Available for sale financial assets	8	818	1,107
Financial derivative assets	9	89	-
Other	10	3,866	6,258
Total current assets		**124,981**	**99,984**
Non current assets			
Receivables	6	4,083	5,557
Financial derivative assets	9	901	6,457
Exploration and evaluation expenditure	11	10,970	8,928
Development expenditure	12	231,030	399,416
Property, plant and equipment	13	221,274	100,135
Deferred mining costs	14	13,504	17,188
Investment in associate	15	5,892	-
Other	10	-	1,408
Total non current assets		**487,654**	**539,089**
Total assets		**612,635**	**639,073**
Current liabilities			
Payables	16	47,652	56,135
Interest bearing liabilities	17	29,445	24,277
Tax liabilities		3,454	2,160
Financial derivative liabilities	18	92,075	52,949
Provisions	19	10,933	6,936
Total current liabilities		**183,559**	**142,457**
Non current liabilities			
Interest bearing liabilities	17	93,300	100,738
Financial derivative liabilities	18	21,026	62,358
Provisions	19	28,624	30,021
Deferred tax liabilities	3	3,049	-
Other	20	37	193
Total non current liabilities		**146,036**	**193,310**
Total liabilities		**329,595**	**335,767**
Net assets		**283,040**	**303,306**
Equity attributable to equity holders of the parent			
Contributed equity	21	237,083	209,680
Reserves	22	22,690	15,395
Retained earnings	23	41,058	78,231
Parent interest		**300,831**	**303,306**
Non-controlling interest		**(17,791)**	**-**
Total equity		**283,040**	**303,306**

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

for the year ended 30 June 2010

	ORDINARY SHARES $'000	NET UNREALISED GAIN/(LOSS) RESERVE $'000	HEDGE RESERVE FORWARDS GAIN/(LOSS) $'000
At 1 July 2009	209,680	364	5,343
Net (loss)/profit for the year	-	-	-
Other comprehensive income, net of tax	-	(200)	(5,343)
Total comprehensive loss for the period, net of tax	-	(200)	(5,343)
Transactions with owners			
Shares issued	28,446	-	-
Share issue costs	(1,043)	-	-
Options issued to convertible note holders and shareholders, net of tax	-	-	-
Equity portion of compound financial instruments, net of tax and transaction costs	-	-	-
Share-based payments to employees	-	-	-
AT 30 JUNE 2010	**237,083**	**164**	**-**

	ORDINARY SHARES $'000	NET UNREALISED GAIN/(LOSS) RESERVE $'000	HEDGE RESERVE PUT OPTIONS GAIN/(LOSS) $'000
At 1 July 2008	171,867	63	(42)
Net (loss)/profit for the year	-	-	-
Other comprehensive income, net of tax	-	301	42
Total comprehensive profit/(loss) for the period, net of tax	-	301	42
Transactions with owners			
Shares issued	40,411	-	-
Share issue costs	(2,598)	-	-
Options issued to convertible note holders and shareholders, net of tax	-	-	-
Equity portion of compound financial instruments, net of tax and transaction costs	-	-	-
Share-based payments to employees	-	-	-
At 30 June 2009	**209,680**	**364**	**-**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

for the year ended 30 June 2010

CONVERTIBLE NOTES EQUITY RESERVE	SHARE OPTIONS EQUITY RESERVE	EMPLOYEE EQUITY BENEFITS RESERVE	FOREIGN CURRENCY TRANSLATION RESERVE	RETAINED EARNINGS	NON-CONTROLLING INTEREST	TOTAL
$'000	$'000	$'000	$'000	$'000	$'000	$'000
3,492	4,064	1,499	633	78,231	-	303,306
-	-	-	-	(37,173)	(19,398)	(56,571)
-	-	-	(348)	-	1,607	(4,284)
-	-	-	(348)	(37,173)	(17,791)	(60,855)
-	-	-	-	-	-	28,446
-	-	-	-	-	-	(1,043)
-	1,923	-	-	-	-	1,923
10,741	-	-	-	-	-	10,741
-	-	522	-	-	-	522
14,233	**5,987**	**2,021**	**285**	**41,058**	**(17,791)**	**283,040**

HEDGE RESERVE FORWARDS GAIN/(LOSS)	CONVERTIBLE NOTES EQUITY RESERVE	SHARE OPTIONS EQUITY RESERVE	EMPLOYEE EQUITY BENEFITS RESERVE	FOREIGN CURRENCY TRANSLATION RESERVE	RETAINED EARNINGS	TOTAL
$'000	$'000	$'000	$'000	$'000	$'000	$'000
9,490	-	-	1,103	(9,183)	47,555	220,853
-	-	-	-	-	30,676	30,676
(4,147)	-	-	-	9,816	-	6,012
(4,147)	-	-	-	9,816	30,676	36,688
-	-	-	-	-	-	40,411
-	-	-	-	-	-	(2,598)
-	-	4,064	-	-	-	4,064
-	3,492	-	-	-	-	3,492
-	-	-	396	-	-	396
5,343	**3,492**	**4,064**	**1,499**	**633**	**78,231**	**303,306**

Consolidated Cash Flow Statement

for the year ended 30 June 2010

	NOTE	CONSOLIDATED 10 $'000	CONSOLIDATED 09 $'000
Cash flows from operating activities			
Receipts from customers		325,447	294,106
Payments to suppliers and employees		(273,080)	(226,139)
Interest received		290	425
Interest and other costs of finance paid		(3,188)	(3,776)
Proceeds from the sale of gold call options		-	1,569
Expenditure on exploration		(9,280)	(10,861)
Income tax paid		(8,398)	-
Net operating cash flows	28	31,791	55,324
Cash flows from investing activities			
Payments for property, plant and equipment		(13,280)	(24,377)
Proceeds from sale of property, plant and equipment		48	315
Proceeds from the sale of subsidiaries	37	284	-
Proceeds from sale of available for sale financial assets		-	802
Expenditure on evaluation and development areas		(41,053)	(150,289)
Royalties received		-	3,234
Proceeds from the Challenger royalty		-	10,033
Net investing cash flows		(54,001)	(160,282)
Cash flows from financing activities			
Proceeds from issues of ordinary shares		18,900	37,033
Cost of issuing ordinary shares		(1,038)	(5,297)
Proceeds from issues of convertible notes		23,864	51,722
Cost of issuing convertible notes		(1,332)	-
Proceeds from issuing options		1,322	-
Cost of issuing options		(67)	-
Proceeds from borrowings		-	24,978
Repayment of borrowings		(11,815)	(24,862)
Repayment of lease liability		(2,561)	(2,707)
Net financing cash flows		27,273	80,867
Net increase/(decrease) in cash and cash equivalents		5,063	(24,091)
Cash and cash equivalents at beginning of period		6,880	29,731
Exchange rate adjustment		(43)	1,240
Cash and cash equivalents at end of period	5	11,900	6,880

Notes to the financial statements

for the year ended 30 June 2010

CORPORATE INFORMATION

The financial report of Resolute Mining Limited ("consolidated entity" or the "Group") for the year ended 30 June 2010 was authorised for issue in accordance with a resolution of the Directors on 21 September 2010.

Resolute Mining Limited (the parent) is a company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange.

The principal activities of entities within the consolidated entity during the year were:

- Gold mining; and,
- prospecting and exploration for minerals.

There has been no significant change in the nature of those activities during the year.

NOTE 1: BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes financial information for Resolute Mining Limited ("RML") as an individual entity and the consolidated entity consisting of RML and its subsidiaries. Where appropriate, comparative information has been reclassified.

(a) Basis of Preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Board and the *Corporations Act 2001.*

COMPLIANCE STATEMENT

The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. Accounting policies adopted are consistent with those of the previous year except as disclosed below (Note 1(ad)).

HISTORICAL COST CONVENTION

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities (including derivative instruments) at fair value through profit and loss.

SYAMA GOLD MINE – FUTURE CASH FLOW REQUIREMENTS

As at the date of signing the financial statements, the Syama Gold Mine is in the process of being ramped up to normal levels of consistent commercial production. The Group's working capital requirements are sensitive to the Syama Gold Mine plant optimisation and ultimately the assumed ounces of gold to be produced on a monthly basis. Any material delays in the plant optimisation process could adversely impact the Group's forecast cash flows.

Subsequent to year end, the Group has announced a capital raising of $40 million before costs. These funds are primarily to be used to close out a number of the Group's outstanding gold derivatives and to provide additional working capital to the Group.

(b) Principles of consolidation

(i) SUBSIDIARIES

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of RML as at 30 June 2010 and the results of all subsidiaries for the year then ended. RML and its subsidiaries together are referred to in this financial report as the "Group" or the "consolidated entity". Interests in associates are equity accounted and are not part of the consolidated Group.

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. The acquisition method of accounting involves recognising at acquisition date, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The identifiable assets acquired and the liabilities assumed are measured at their acquisition date fair values.

The difference between the above items and the fair value of the consideration (including the fair value of any pre-existing investment in the acquiree) is goodwill or a discount on acquisition.

Intercompany transactions, balances and unrealised gains on transactions between Group entities are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(ii) JOINT VENTURES

Jointly controlled assets

The proportionate interests in the assets, liabilities and expenses of a joint venture activity have been incorporated in the financial statements under the appropriate headings.

NOTE 1: BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Segment reporting

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision makers to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This includes start up operations which are yet to earn revenues. Management will also consider other factors in determining operating segments such as the level of segment information presented to the board of directors.

Operating segments have been identified based on the information provided to the chief operating decision makers – being the executive management team.

Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately.

However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements.

Information about other business activities and operating segments that are below the quantitative criteria are combined and disclosed in a separate category.

(d) Foreign currency translation

(i) FUNCTIONAL AND PRESENTATION CURRENCY

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The consolidated financial statements are presented in Australian dollars, which is Resolute Mining Limited's functional and presentation currency.

(ii) TRANSACTIONS AND BALANCES

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

(iii) GROUP COMPANIES

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each consolidated statement of financial position presented are translated at the closing rate at the date of that consolidated statement of financial position;
- income and expenses for each consolidated statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and,
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold or borrowings repaid, a proportionate share of such exchange differences are recognised in the consolidated statement of comprehensive income as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(e) Revenue recognition

(i) GOLD SALES

Revenue is recognised when the risk and reward of ownership has passed from the Group to an external party and the selling price can be determined with reasonable accuracy. Sales revenue represents gross proceeds receivable from the customer. Certain sales are initially recognised at estimated sales value when the gold is dispatched.

Revenue from the sale of by-products such as silver is included in sales revenue.

(ii) INTEREST

Revenue is recognised as interest accrues using the effective interest method.

(f) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed and are included in profit or loss as part of borrowing costs.

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the entity's outstanding borrowings during the period.

NOTE 1: BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and by unused tax losses (if appropriate).

Deferred income tax is provided on all temporary differences at the consolidated statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting nor taxable profit or loss; and,
- in respect of taxable temporary differences associated with investments in subsidiaries and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses, to the extent it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:

- except where the deferred income tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting nor taxable profit or loss; and,
- in respect of deductible temporary differences associated with investments in subsidiaries and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each consolidated statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

TAX CONSOLIDATION LEGISLATION

RML and its wholly-owned Australian controlled entities implemented the tax consolidation legislation as of 1 July 2002.

GOODS AND SERVICES TAX

Revenues, expenses and assets are recognised net of the amount of GST except:

- Where the GST incurred on the purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and,
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statement of financial position.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

(h) Earnings per share ("EPS")

Basic EPS is calculated as net profit attributable to members, adjusted to exclude costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted EPS is calculated as the net profit attributable to members, adjusted for:

- costs of servicing equity (other than dividends) and;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and,
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

Divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(i) Cash and cash equivalents

Cash and cash equivalents includes cash on hand and deposits held at financial institutions at call. Bank overdrafts are shown within borrowings in current liabilities on the consolidated statement of financial position.

NOTE 1: BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Receivables

Trade receivables are recognised at fair value less a provision for any uncollectible debts. Trade receivables are due for settlement no more than 30 days from the date of recognition. Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the transaction. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the consolidated statement of comprehensive income.

Receivables from related parties are recognised and carried at the nominal amount due. Where interest is charged it is taken up as income in profit and loss and included in other income.

(k) Inventories

Finished goods, gold in circuit and stockpiles of unprocessed ore are stated at the lower of cost and estimated net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to ore stockpiles and gold in circuit items of inventory on the basis of weighted average costs. Net realisable value is the estimated selling price in the ordinary course of business (excluding derivatives) less the estimated costs of completion and the estimated costs necessary to make the sale.

Consumables have been valued at cost less an appropriate provision for obsolescence. Cost is determined on a first-in-first-out basis.

(l) Investments and other financial assets

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at each reporting date.

(i) FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss on initial recognition. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. The policy of management is to designate a financial asset if there exists the possibility it will be sold in the short term and the asset is subject to frequent changes in fair value. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the consolidated statement of financial position date.

(ii) LOANS AND RECEIVABLES

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the consolidated statement of financial position date which are classified as non-current assets. Loans and receivables are included in receivables in the consolidated statement of financial position.

(iii) HELD-TO-MATURITY INVESTMENTS

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity.

(iv) AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets, comprising principally marketable equity securities, are non derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the consolidated statement of financial position date.

Purchases and sales of investments are recognised on trade-date - the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the consolidated statement of comprehensive income in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in equity in the available-for-sale investments revaluation reserve. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the consolidated statement of comprehensive income as gains and losses from investment securities.

NOTE 1: BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Investments and other financial assets (continued)

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include reference to the fair values of recent arm's length transactions, involving the same instruments or other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit and loss - is removed from equity and recognised in the consolidated statement of comprehensive income. Impairment losses recognised in the consolidated statement of comprehensive income on equity instruments are not reversed through the consolidated statement of comprehensive income.

(m) Investments in associates

The Group's investment in associates is accounted for using the equity method of accounting in the consolidated financial statements and at cost. An associate is an entity over which the Group has significant influence and that are neither subsidiaries nor joint ventures.

The Group generally deems they have significant influence if they have over 20% of voting rights.

Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associates. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. After application of the equity method, the Group determines whether it is necessary to recognise any impairment loss with respect to the Group's net investment in associates. Goodwill included in the carrying amount of the investment in associate is not tested separately, rather the entire carrying amount of the investment is tested for impairment as a single asset. If an impairment is recognised, the amount is not allocated to the goodwill of the associate.

The Group's share of its associates' post-acquisition profits or losses is recognised in the statement of comprehensive income, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised in the parent entity's statement of comprehensive income as a component of other income.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivables and loans, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The Group makes any adjustments to the performance and position of the associate where appropriate in order to allow for differences in the accounting policies of the Group and those of the associate.

(n) Derivatives

The Group uses derivative financial instruments such as gold options; gold forward contracts and interest rate swaps to manage the risks associated with commodity price and interest rate fluctuations.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently measured to their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either; (1) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or (2) hedges of highly probable forecast transactions (cash flow hedges).

The fair value of derivative financial instruments that are traded on an active market is based on quoted market prices at the consolidated statement of financial position date. The fair value of financial instruments not traded on an active market is determined using appropriate valuation techniques.

At the inception of the transaction, the Group documents the relationship between hedge instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items. Refer to Note 36 for treatment of the Group's gold contracts.

(i) FAIR VALUE HEDGE

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the consolidated statement of comprehensive income, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

(ii) CASH FLOW HEDGE

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the consolidated statement of comprehensive income.

Amounts accumulated in equity are recycled in the consolidated statement of comprehensive income in the periods when the hedged item will affect profit or loss (for instance when the forecast sale that is hedged takes place).

NOTE 1: BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Derivatives (continued)

(ii) CASH FLOW HEDGE

However, when the forecast transaction that is hedged results in the recognition of a non financial asset (for example, inventory) or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the measurement of the initial cost or carrying amount of the asset or liability.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the consolidated statement of comprehensive income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the consolidated statement of comprehensive income.

(iii) DERIVATIVES THAT DO NOT QUALIFY FOR HEDGE ACCOUNTING

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the consolidated statement of comprehensive income.

(o) Deferred mining costs

In mining operations, it is necessary to remove overburden and other barren waste materials to access ore from which minerals can economically be extracted. The process of mining overburden and waste materials is referred to as stripping. Stripping costs incurred before production commences are included within capitalised mine development expenditure and subsequently amortised. The Group defers stripping costs incurred subsequently during the production stage of operation.

Stripping ratios are a function of the quantity of ore mined compared with the quantity of overburden, or waste required to be removed to mine the ore. Deferral of the post production costs to the consolidated statement of financial position is made, where appropriate, when actual stripping ratios vary from average life of mine ratios. Deferral of costs to the consolidated statement of financial position is not made when the waste to ore ratio is expected to be consistent throughout the life of the mine.

Costs which have previously been deferred to the consolidated statement of financial position are recognised in the Consolidated statement of comprehensive income on a unit of production basis utilising average stripping ratios. Changes in estimates of average stripping ratios are accounted for prospectively from the date of the change.

As it is not possible to separately identify cash inflows relating to deferred overburden removal costs, such assets are grouped with other assets or a cash generating unit for the purposes of undertaking impairment assessments, where necessary, based on future cash flows for the operation as a whole.

(p) Mineral exploration and evaluation interests

Exploration expenditure is expensed to the consolidated statement of comprehensive income as and when it is incurred and included as part of cash flows from operating activities. Exploration costs are only capitalised to the consolidated statement of financial position if they result from an acquisition.

Evaluation expenditure is capitalised to the consolidated statement of financial position. Evaluation is deemed to be activities undertaken from the beginning of the pre-feasibility study conducted to assess the technical and commercial viability of extracting a mineral resource before moving into the Development phase (see note 1(q) Development expenditure). The criteria for carrying forward the costs are:

- Such costs are expected to be recouped through successful development and exploitation of the area of interest, or alternatively by its sale; or
- evaluation activities in the area of interest which has not yet reached a state which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area are continuing.

Costs carried forward in respect of an area of interest which is abandoned are written off in the year in which the abandonment decision is made.

(q) Development expenditure

(i) AREAS IN DEVELOPMENT

Areas in development represent the costs incurred in preparing mines for production including the required plant infrastructure. The costs are carried forward to the extent that these costs are expected to be recouped through the successful exploitation of the Company's mining leases.

(ii) AREAS IN PRODUCTION

Areas in production represent the accumulation of all acquired exploration, evaluation and development expenditure incurred by or on behalf of the entity in relation to areas of interest in which economic mining of a mineral reserve has commenced. Amortisation of costs is provided on the unit-of-production method, with separate calculations being made for each mineral resource. The unit-of-production basis results in an amortisation charge proportional to the depletion of the economically recoverable mineral reserves.

The net carrying value of each mine property is reviewed regularly and, to the extent to which this value exceeds its recoverable amount, that excess is fully provided against in the financial year in which this is determined.

NOTE 1: BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Property, plant and equipment

(i) COST AND VALUATION

Property, plant and equipment are stated at cost less any accumulated depreciation and any impairment losses.

The cost of an item of property, plant and equipment comprises:

- Its purchase price, including import duties and non refundable purchase taxes, after deducting trade discounts and rebates;
- Any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management; and,
- The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

(ii) DEPRECIATION

Depreciation is provided on a straight-line basis on all property plant and equipment other than land. Major depreciation periods are:

	LIFE	METHOD
Motor vehicles	3 years	Straight line
Office equipment	3 years	Straight line
Plant and equipment	Life of mine years	Straight line

(iii) IMPAIRMENT

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater of the fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(s) Leases

Finance leases, which effectively transfer to the consolidated entity all of the risks and benefits incidental to ownership of the leased item, are capitalised at the present value of the minimum lease payments, disclosed as leased property, plant and equipment, and amortised over the period the consolidated entity is expected to benefit from the use of the leased assets. Lease payments are allocated between interest expense and reduction in the lease liability.

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charges directly against income.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiation of an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as the lease income.

Operating lease payments are recognised as an expense in the consolidated statement of comprehensive income over the lease term.

(t) Business combinations

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination shall be measured at fair value, which shall be calculated as the sum of the acquisition date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity issued by the acquirer, and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured at fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with AASB 139 either in profit or loss or in other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured.

NOTE 1: BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Recoverable amount of assets

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired.

Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to is recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which it belongs.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to that asset.

(v) Payables

Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the consolidated entity.

Payables to related parties are carried at the principal amount. Interest, when charged by the lender, is recognised as an expense on an accruals basis.

(w) Interest-bearing liabilities

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing.

After initial recognition, interest bearing liabilities are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Gains and losses are recognised in the consolidated statement of comprehensive income when the liabilities are derecognised and as well as through the amortisation process. Treatment of borrowing costs is outlined in note 1(f).

The component of convertible notes that exhibit characteristics of a liability are recognised as a liability in the consolidated statement of financial position, net of transaction costs.

On issuance of the convertible notes, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond and that amount is carried as a long-term liability on an amortised cost basis until extinguished on conversion or redemption. The accretion of the liability due to the passage of time is recognised as a finance cost.

COMPOUND FINANCIAL INSTRUMENTS

The remainder of the proceeds received from the issue of the convertible notes are allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not re-measured in subsequent periods.

Interest on the liability component of the instruments is recognised as an expense in the consolidated statement of comprehensive income except for when the borrowing costs are associated with a qualifying asset, in which case the borrowing costs are capitalised and amortised over the useful life of the qualifying asset.

Transaction costs relating to the convertible note issues are apportioned between the liability and equity components of the convertible notes, based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(X) PROVISIONS

Provisions are recognised when the Group has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

The consolidated entity records the present value of the estimated cost of legal and constructive obligations (such as those under the consolidated entity's Environmental Policy) to restore operating locations in the period in which the obligation is incurred. The nature of restoration activities includes dismantling and removing structures, rehabilitating mines, dismantling operating facilities, closure of plant and waste sites and restoration, reclamation and revegetation of affected areas.

Typically the obligation arises when the asset is installed at the production location. When the liability is initially recorded, the estimated cost is capitalised by increasing the carrying amount of the related mining assets. Over time, the liability is increased for the change in the present value based on the discount rates that reflect the current market assessments and the risks specific to the liability. Additional disturbances or changes in rehabilitation costs will be recognised as additions or changes to the corresponding asset and rehabilitation liability when incurred.

NOTE 1: BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(y) Employee benefits

(i) WAGES, SALARIES AND ANNUAL LEAVE

Liabilities for wages and salaries, including non-monetary benefits and annual leave are recognised in other creditors in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

(ii) LONG SERVICE LEAVE

The liability for long service leave expected to be settled within 12 months of the reporting date is recognised in the provision for employee benefits and is measured in accordance with (i) above. The liability for long service leave expected to be settled more than 12 months from the reporting date is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) TERMINATION GRATUITY AND RELOCATION

Liabilities for Termination Gratuity and Relocation payments are recognised and are measured as the present value of expected future payments to be made in respect of employees up to the reporting date.

(iv) SHARE BASED PAYMENTS

Equity-based compensation benefits are provided to employees via the Group's share option plan. The Group determines the fair value of options issued to directors, executives and members of staff as remuneration and recognises that amount as an expense in the consolidated statement of comprehensive income over the vesting period with a corresponding increase in equity.

The fair value at grant date is independently determined using a Black Scholes option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The fair value of the options granted excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each consolidated statement of financial position date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

(v) SUPERANNUATION

Contributions made by the Group to employee superannuation funds are charged to the consolidated statement of comprehensive income in the period employees' services are provided.

(z) Contributed equity

Issued and paid up capital is recognised at the fair value of the consideration received by the Company.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(aa) Financial Guarantees

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with AASB 137 Provisions, Contingent Liabilities and Contingent Assets and the amount initially recognised less cumulative amortisation, where appropriate.

(ab) Significant accounting judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

(i) DETERMINATION OF MINERAL RESOURCES AND ORE RESERVES

The determination of reserves impacts the accounting for asset carrying values, depreciation and amortisation rates, deferred stripping costs and provisions for decommissioning and restoration. The information in this report as it relates to ore reserves, mineral resources or mineralisation is reported in accordance with the Aus.IMM "Australian Code for reporting of Identified Mineral Resources and Ore Reserves". The information has been prepared by or under supervision of competent persons as identified by the Code.

There are numerous uncertainties inherent in estimating mineral resources and ore reserves. Assumptions that are valid at the time of estimation may change significantly when new information becomes available.

Changes in the forecast prices of commodities, exchange rates, production costs or recovery rates may change the economic status of reserves and may, ultimately, result in the reserves being restated.

NOTE 1: BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ac) Significant accounting estimates and assumptions (continued)

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

(i) IMPAIRMENT OF CAPITALISED MINE DEVELOPMENT EXPENDITURE

The future recoverability of capitalised mine development expenditure is dependent on a number of factors, including the level of proved and probable reserves and measured, indicated and inferred mineral resources, future technological changes which could impact the cost of mining, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

To the extent that capitalised mine development expenditure is determined not to be recoverable in the future, this will reduce profits and net assets in the period in which this determination is made.

(ii) LIFE-OF-MINE STRIPPING RATIO

The Group has adopted a policy of deferring production stage stripping costs and amortising them in accordance with the life-of-mine strip ratio. Significant judgement is required in determining this ratio for each mine. Factors that are considered include:

- Any proposed changes in the design of the mine;
- estimates of the quantities of ore reserves and mineral resources for which there is a high degree of confidence of economic extraction;
- future production levels;
- future commodity prices; and,
- future cash costs of production and capital expenditure.

(iii) PROVISIONS FOR DECOMMISSIONING AND RESTORATION COSTS

Decommissioning and restoration costs are a normal consequence of mining, and the majority of this expenditure is incurred at the end of a mine's life. In determining an appropriate level of provision consideration is given to the expected future costs to be incurred, the timing of these expected future costs (largely dependent on the life of the mine), and the estimated future level of inflation.

The ultimate cost of decommissioning and restoration is uncertain and costs can vary in response to many factors including changes to the relevant legal requirements, the emergence of new restoration techniques or experience at other mine-sites. The expected timing of expenditure can also change, for example in response to changes in reserves or to production rates.

Changes to any of the estimates could result in significant changes to the level of provisioning required, which would in turn impact future financial results.

(iv) RECOVERABILITY OF POTENTIAL DEFERRED INCOME TAX ASSETS

The Group recognises deferred income tax assets in respect of tax losses and temporary differences to the extent that it is probable that the future utilisation of these losses and temporary differences is considered probable. Assessing the future utilisation of these losses and temporary differences requires the Group to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws. To the extent that future cash flows and taxable income differ significantly from estimates, this could result in significant changes to the deferred income tax assets recognised, which would in turn impact future financial results.

(v) SHARE BASED PAYMENTS

The Group measures the cost of cash settled transactions with employees by reference to the fair value at the grant date using the Black Scholes formula taking into account the terms and conditions upon which the instruments were granted, as discussed in Note 31(b).

(vi) FAIR VALUE OF DERIVATIVE FINANCIAL INSTRUMENTS

The Group assesses the fair value of its financial derivatives in accordance with the accounting policy stated in Note 1(n). Fair values have been determined based on well established valuation models and market conditions existing at the balance date. These calculations require the use of estimates and assumptions. Changes in assumptions concerning interest rates, gold prices and volatilities could have significant impact on the fair valuation attributed to the Group's financial derivatives. When these assumptions change or become known in the future, such differences will impact asset and liability carrying values in the period in which they change or become known.

(vii) SIGNIFICANT ESTIMATE IN DETERMINING THE BEGINNING OF PRODUCTION

Considerations are made in the determination of the point at which development ceases and production commences for a mine development project. This point determines the cut-off between pre-production and production accounting.

The Group ceases capitalising pre-production costs and begins depreciation and amortisation of mine assets at the point commercial production commences. This is based on the specific circumstances of the project, and considers when the mine's plant becomes 'available for use' as intended by management. Determining when the production start date is achieved is an assessment made by management and includes the following factors:

NOTE 1: BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ac) Significant accounting estimates and assumptions (continued)

(vii) SIGNIFICANT ESTIMATE IN DETERMINING THE BEGINNING OF PRODUCTION (CONTINUED)

- the level of redevelopment expenditure compared to project cost estimates;
- completion of a reasonable period of testing of the mine plant and equipment;
- mineral recoveries, availability and throughput levels at or near expected/budgeted levels;
- the ability to produce gold into a saleable form (where more than an insignificant amount is produced); and,
- the achievement of continuous production.

Any revenues occurring during the pre-production period are capitalised and offset the capitalised development costs.

(ad) New accounting standards and UIG interpretations

(i) The following new and amended Australian Accounting Standards and AASB interpretations have been adopted by the Group as of 1 July 2009.

- AASB 3 *Business Combinations (revised 2008);*
- AASB 7 *Financial Instruments: Disclosures;*
- AASB 8 *Operating Segments;*
- AASB 101 *Presentation of Financial Statements (revised 2008);*
- AASB 123 *Borrowing Costs (revised 2007);*
- AASB 127 *Consolidated and Separate Financial Statements (revised 2008);*
- AASB *Interpretation 16 - Hedges of a Net Investment in a Foreign Operation;*
- AASB 2008-1 *Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations;*
- AASB 2008-3 *Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127 [AASBs 1, 2, 4, 5, 7, 101, 107, 112, 114, 116, 121, 128, 131, 132, 133, 134, 136, 137, 138 & 139 and Interpretations 9 & 107];*
- AASB 2008-5 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project;*
- AASB 2008-6 *Further amendments to Australian Accounting Standards arising from the Annual Improvements Project;*
- AASB 2008-7 *Amendments to Australian Accounting Standards – Costs of an Investment in a Subsidiary, Jointly Controlled Entity or Associate;*
- AASB 2009-3 *Amendments to Australian Accounting Standards – Embedded Derivatives [AASB 139 and Interpretation 9];*
- AASB 2009-4 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project;*
- The Group has elected to early adopt the amendment to AASB 107 *Cash Flow Statements* arising from AASB 2009-5 *Further Amendments to Australian Accounting Standards* arising from the *Annual Improvement Project; and,*
- AASB 2009-7 *Amendments to Australian Accounting Standards.*

Other amendments resulting from the Annual Improvement Project to the following Standards did have an impact on the accounting policies, financial position or performance of the Group as follows:

AASB 3 *Business Combinations (revised 2008) and* AASB 127 *Consolidated and Separate Financial Statements (revised 2008)*

AASB-3 (revised 2008) introduces significant changes in the accounting for business combinations occurring after this date. Changes affect the valuation of non-controlling interests (previously "minority interests"), the accounting for transactions costs, the initial recognition and subsequent measurement of contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period when an acquisition occurs and future reported results.

AASB 127 (revised 2008) requires that a change in the ownership interest of a subsidiary (without a change in control) is to be accounted for as a transaction with owners in their capacity as owners. Therefore such transactions will no longer give rise to goodwill, nor will they give rise to a gain or loss in the statement of comprehensive income. Furthermore the revised Standard changes the accounting for losses incurred by a partially owned subsidiary as well as the loss of control of a subsidiary.

The changes in AASB 3 (revised 2008) and AASB 127 (revised 2008) will affect future acquisitions, changes in, and loss of control of, subsidiaries and transactions with non-controlling interests.

AASB 101 *Presentation of Financial Statements*

The revised Standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented in a reconciliation of each component of equity and included in the new statement of comprehensive income. The statement of comprehensive income presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Group has elected to present one statement.

NOTE 1: BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ad) New accounting standards and UIG interpretations (continued)

AASB 107 *Statement of Cash Flows*

The amendment to the Standard arising from the Annual Improvement Project requires that only expenditure resulting in the recognition of an asset in the Statement of Financial Position is eligible for classification as investing activities in the Statement of Cash Flows. The adoption of the amendment has resulted in the reclassification of exploration and evaluation expenditure amounting to $9.3m (2009: $10.9m) from investing to operating activities in the consolidated Cash Flow Statement.

(ii) The following new accounting standards have been issued or amended but are not yet effective. These standards have not been adopted by the Group for the period ended 30 June 2010, and no change to the Group's accounting policy is required:

REFERENCE	TITLE	SUMMARY	APPLICATION DATE OF STANDARD*	APPLICATION DATE FOR GROUP
AASB 2009-5	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project	The amendments to some Standards result in accounting changes for presentation, recognition or measurement purposes, while some amendments that relate to terminology and editorial changes are expected to have no or minimal effect on accounting except for the following: The amendment to AASB 117 removes the specific guidance on classifying land as a lease so that only the general guidance remains. Assessing land leases based on the general criteria may result in more land leases being classified as finance leases and if so, the type of asset which is to be recorded (intangible vs. property, plant and equipment) needs to be determined. The Group has elected to early adopt the amendment to AASB 107 arising from AASB 2009-5.	1 January 2010. Note, Refer Note 1(ad)(i) for early adoption of amendment to AASB 107 Statement of Cash Flows as a result of the Annual Improvements Project.	1 July 2010
AASB 2009-8	Amendments to Australian Accounting Standards arising from AASB 2	The amendments require that an entity receiving goods or services in a share-based payment arrangement to account for those goods or services no matter which entity in the group settles the transaction in shares or cash.	1 January 2010	1 July 2010
AASB 2009-10	Amendments to Australian Accounting Standards arising from AASB 132	The amendment to AASB 132 classifies rights issues and certain options and warrants as equity instruments rather than financial liabilities. This will result in the reversal of amounts that were previously recognised in the consolidated statement of comprehensive income.	1 February 2010	1 July 2010
AASB 2009-11	Amendments to Australian Accounting Standards arising from AASB 9	The revised Standard introduces a number of changes to the accounting for financial assets, the most significant of which includes: (a) Two categories of financial assets being amortised cost or fair value each with strict identification, reclassification and disclosure requirements. (b) Removal of the requirement to separate embedded derivatives in financial assets. (c) Option to recognise fair value changes on equity instruments not held for trading through other comprehensive income with no impairment testing.	1 January 2013	1 July 2013
AASB 2009-12	Amendments to Australian Accounting Standards	The amendments make editorial changes across a range of Australian Accounting Standards including AASB 8.	1 January 2011	1 July 2011

NOTE 1: BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ad) New accounting standards and UIG interpretations (continued)

REFERENCE	TITLE	SUMMARY	APPLICATION DATE OF STANDARD*	APPLICATION DATE FOR GROUP
AASB 2010-4 AASB 2010-3 (Annual Improvement Project)	Amendments to Australian Accounting Standards arising from the Annual Improvements Project	Emphasises the interaction between quantitative and qualitative AASB 7 disclosures and the nature and extent of risks associated with financial instruments. Clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. Provides guidance to illustrate how to apply disclosure principles in AASB 134 for significant events and transactions. Clarify that when the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the award credit scheme, is to be taken into account.	1 January 2011	1 July 2011
AASB 124 (Revised)	Amendments to Australian Accounting Standards arising from AASB 124	The amendments to AASB 124 adopt a less complex approach to identifying related parties.	1 January 2011	1 July 2010
AASB 9	Financial Instruments	The new standard constitutes Phase 1 of the IASB's project to replace IAS 39. AASB 9 outlines new classification and measurement requirements for financial assets.	1 January 2013	1 July 2013
AASB 1053	Application of Tiers of Australian Accounting Standards	This new standard introduces a 2 tier approach in outlining requirements of a general purpose financial report. The 2 tiers are: (a) Australian Accounting Standards; and (b) Australian Accounting Standards – Reduced Disclosure requirements.	1 July 2013	1 July 2013
Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments	This interpretation clarifies that equity instruments issued to extinguish a financial liability are "consideration paid" in accordance with IAS 39(41) and will result in derocognition of the financial liability. The interpretation also states that the equity instruments issued in a debt for equity swap should be valued at fair value if this can be determined reliability. If not, the fair value of the equity instruments is measured at the fair value of the financial liability that is extinguished pursuant to the swap.	1 July 2010	1 July 2010

The impact of the adoption of these new and revised standards and interpretations has not been determined by the Company.

* designates the beginning of the applicable annual reporting period unless otherwise stated

The following new accounting standards have been issued or amended but are deemed not applicable to the Group and therefore have no impact:

- AASB 2009-9 – Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards;
- AASB 2009-13 – Amendments to Australian Accounting Standards arising from Interpretation 19;
- AASB 2009-14 – Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement;
- AASB 2010-1 – Amendments to Australian Accounting Standards – Limited Exemption from Comparative AASB 7 Disclosures for First-time Adopters; and,
- AASB 2010-2 – Amendments to Australian Accounting Standards arising from reduced disclosure requirements.

Notes to the financial statements

for the year ended 30 June 2010

NOTE 2: (LOSS)/PROFIT FROM CONTINUING OPERATIONS

		CONSOLIDATED	
		10	09
		$'000	$'000
(a)	**Revenue from gold sales**		
	Gold sales at spot price (i)	393,936	329,587
	Realised loss on gold forward contracts	(59,084)	(35,859)
		334,852	293,728
	Amortisation of the gold forward contract hedge reserve	7,632	5,985
		342,484	**299,713**

(i) Proceeds received on the sale of gold produced at the Syama project up until 31 December 2009 were capitalised into pre-production costs.

		10 $'000	09 $'000
(b)	**Costs of production relating to gold sales**		
	Costs of production (excluding gold in circuit inventories movement) (i)	234,139	199,202
	Gold in circuit inventories movement	(5,132)	1,387
		229,007	**200,589**

(i) Costs incurred on the production of gold at the Syama project up until 31 December 2009 were capitalised into pre-production costs.

		10 $'000	09 $'000
(c)	**Depreciation and amortisation relating to gold sales**		
	Amortisation of evaluation, development & rehabilitation costs	18,445	10,252
	Depreciation of mine site properties, plant & equipment	24,696	17,326
		43,141	**27,578**
(d)	**Other operating costs relating to gold sales**		
	Royalty expense	13,232	9,306
	Operational support costs	3,333	3,354
		16,565	**12,660**
(e)	**Other revenue**		
	Interest income - other persons/corporations	294	425
	Royalty income	-	1,208
		294	**1,633**

NOTE 2: (LOSS)/PROFIT FROM CONTINUING OPERATIONS (CONTINUED)

	CONSOLIDATED 10 $'000	09 $'000
(f) Other income		
Rehabilitation provision adjustment from non operating mine sites	726	-
Profit on sale of subsidiaries (i), (Note 37)	7,208	-
Profit on sale of Challenger Royalty (ii)	-	10,033
Realised gain on gold call options	1,522	-
Profit on sale of property, plant and equipment	1,934	-
Other	230	825
	11,620	**10,858**

(i) On 7 May 2010, Resolute disposed of a number of Australian and Ghanaian subsidiaries to Viking Ashanti Limited. Proceeds received comprised of 23 million shares in Viking Ashanti Limited and a cash component. As a result of this transaction, Resolute holds 33.25% of the ordinary shares of Viking Ashanti Limited.

(ii) On 5 February 2009, Resolute Resources Pty Ltd, a wholly owned subsidiary of Resolute Mining Limited, reached agreement with Dominion Gold Operations Pty Ltd to sell its Challenger Royalty for $10.6m. The profit on sale of the royalty is net of selling costs of $0.57m.

	10 $'000	09 $'000
(g) Administration and other expenses		
Other management and administration expenses	4,297	3,430
Non mine site insurance costs	737	1,331
Operating lease expenses	512	480
Loss on sale of property, plant and equipment	-	134
Loss on sale of available for sale financial assets	28	436
Share based payments expense	522	396
Rehabilitation provision adjustment from non operating mine sites	-	217
Depreciation of non mine site assets	271	183
Realised loss on gold put options	-	2,397
Realised foreign exchange loss	1,327	1,765
Impairment of accounts receivable	-	3,180
Impairment of available for sale financial assets (i)	-	3,140
Impairment of acquired exploration and evaluation assets (ii)	-	10,172
Other	1,209	303
	8,903	**27,564**

(i) The amounts previously charged to the reserve relating to available for sale financial assets were impaired and recognised in the consolidated statement of comprehensive income.

(ii) The acquired exploration asset resulting from the acquisition of Carpentaria Gold Pty Ltd (a 100% owned subsidiary of RML) had been impaired in the year ended 30 June 2009 and recognised in the consolidated statement of comprehensive income, as the foreseeable exploration expenditure program in that area of interest reduced.

NOTE 2: (LOSS)/PROFIT FROM CONTINUING OPERATIONS (CONTINUED)

	CONSOLIDATED 10 $'000	09 $'000
(h) Finance costs		
Interest and fees paid/payable to other entities	10,701	3,070
Rehabilitation provision discount adjustment	519	999
	11,220	**4,069**
(i) Treasury - unrealised (losses)/gains		
Unrealised gain on gold forward contracts	2,077	12,140
Unrealised loss on gold put options	(5,467)	(118)
Unrealised (loss)/gain on gold call options	(1,393)	1,393
Unrealised foreign exchange gain/(loss)	3,351	(12,591)
Unrealised foreign exchange (loss)/gain on loans with subsidiaries	(74,544)	317
	(75,976)	**1,141**
(j) Employee benefits		
Salaries	42,085	31,310
Superannuation	2,553	2,482
Share based payments expense	522	396
	45,160	**34,188**

NOTE 3: INCOME TAX

	10 $'000	09 $'000
(a) Income tax expense/(benefit) attributable to continuing operations		
Current tax expense	9,798	-
Deferred tax expense/(benefit)	3,897	(1,475)
Income tax expense/(benefit) attributable to (loss)/profit from continuing operations	13,695	(1,475)
Witholding tax	2,924	141
Total tax expense/(benefit)	**16,619**	**(1,334)**
(b) Numerical reconciliation of income tax (benefit)/expense to prima facie tax expense/(benefit)		
Profit/(loss) from continuing operations before income tax expense	(39,952)	29,342
Withholding tax	(2,923)	(141)
Profit/(loss) from continuing operations including withholding tax before income tax expense	(42,875)	29,201
Prima facie income tax expense/(benefit) at 30% (2009: 30%)	(12,863)	8,760
Add/(deduct):		
-tax losses and other temporary differences not recognised as benefit not probable/(recognised) to offset deferred tax liabilities	27,142	(10,575)
- foreign exchange gain on investment in subsidiaries	(566)	(167)
- effect of share based payments expense not deductible	157	119
- other	(175)	388
Income tax expense/(benefit) attributable to net (loss)/profit	**13,695**	**(1,475)**

NOTE 3: INCOME TAX (CONTINUED)

	CONSOLIDATED	
	10 $'000	09 $'000
(c) Amounts recognised directly in equity		
Amounts (credited)/debited directly to equity	(925)	1,479
(d) Tax losses		
Unused tax losses for which no deferred tax asset has been recognised (potential tax benefit at the prevailing tax rates of the respective jurisdictions)	170,682	164,955

A deferred income tax asset has not been recognised for these amounts at balance date as realisation of the benefit is not regarded as probable. The future benefit will only be obtained if:

(i) future assessable income is derived of a nature and an amount sufficient to enable the benefit to be realised;

(ii) the conditions for deductibility imposed by tax legislation continue to be complied with; and,

(iii) no changes in tax legislation adversely affect the consolidated entity in realising the benefit.

(e) Unrecognised temporary differences

As at 30 June 2010, aggregate unrecognised temporary differences of $0.09m (2009: $0.3m) are in respect of investments in foreign controlled entities for which no deferred tax assets have been recognised for amounts which arise upon translation of their financial statements.

(f) Movements in the deferred tax assets balance

	10 $'000	09 $'000
Balance at the beginning of the year	-	-
Credited to equity	2,376	1,777
Charged to the income statement	(2,376)	(1,782)
Foreign exchange	-	5
Balance as at the end of the year	-	-

The deferred tax assets balance comprises temporary differences attributable to:

	10 $'000	09 $'000
Other financial assets	133	-
Available for sale financial assets	250	216
Property, plant and equipment	1,673	-
Interest bearing liabilities	26,551	-
Financial derivative liabilities	33,930	34,592
Provisions	9,012	8,617
Other	903	444
Tax losses recognised (i)	5,982	9,037
Temporary differences not recognised	(53,682)	(33,736)
	24,752	19,170
Set off of deferred tax liabilities pursuant to set off provisions	(24,752)	(19,170)
Net deferred tax assets	-	-

(i) This amount includes tax losses recognised against deferred tax liabilities in foreign entities of $1.8m (2009: $9.0m).

Notes to the financial statements

for the year ended 30 June 2010

NOTE 3: INCOME TAX (CONTINUED)

	CONSOLIDATED 10 $'000	09 $'000
(g) Movements in the deferred tax liabilities balance		
Balance at the beginning of the year	-	-
Charged to equity	1,452	3,257
Credited to the income statement	1,520	(3,257)
Foreign exchange	77	-
Balance as at the end of the year	3,049	-
The deferred tax liabilities balance comprises temporary differences attributable to:		
Receivables	49	-
Inventories	-	40
Mineral exploration and development interests	16,832	13,054
Property, plant and equipment	3,142	901
Financial derivative assets	297	1,937
Interest bearing liabilties	7,473	3,238
Other	8	-
	27,801	19,170
Set off of deferred tax liabilities pursuant to set off provisions	(24,752)	(19,170)
Net deferred tax liabilities	3,049	-
(h) The equity balance comprises temporary differences attributable to:		
Hedge reserve - forwards	-	2,290
Convertible notes equity reserve	2,124	1,496
Option equity reserve	2,566	1,742
Unrealised gain/(loss) reserve	70	156
Net temporary differences in equity	4,760	5,684

(i) Tax consolidation

Resolute Mining Limited and its wholly owned Australian controlled entities implemented the tax consolidation legislation on 1 July 2002. On adoption of the tax consolidation legislation, the entities in the tax consolidated group entered into a tax sharing agreement, which limits the joint and several liability of the wholly owned entities in the case of a default by the head entity, Resolute Mining Limited.

The entities have also entered into a tax funding agreement under which the wholly owned entities fully compensate Resolute Mining Limited for any current tax payable assumed and are compensated by Resolute Mining Limited for any current tax receivable. The funding amounts are determined by reference to the amounts recognised in the wholly owned entities' financial statements. The head entity and controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The Group has applied the group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group.

The amount receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments. The tax funding agreement requires payments to/from the head entity to be recognised via an inter-entity receivable/payable which is at call.

Notes to the financial statements

for the year ended 30 June 2010

NOTE 4: DIVIDENDS PAID OR PROVIDED FOR

	CONSOLIDATED 10 $'000	09 $'000
There were no dividends paid or provided for during the year.		
FRANKING CREDITS		
The amount of franking credits available for subsequent financial years is as follows. The amount has been determined using a tax rate of 30%.	7,417	7,417

NOTE 5: CASH

	10 $'000	09 $'000
Cash at bank and in hand	18,259	12,660
Short-term deposits	-	41
	18,259	**12,701**
Reconciliation to cash flow statement		
For the purpose of the cash flow statement, cash and cash equivalents comprise the following at 30 June:		
Cash at bank and in hand	18,259	12,660
Short-term deposits	-	41
Bank overdraft (Note 17)	(6,359)	(5,821)
	11,900	**6,880**

Cash at bank earns interest at floating rates based on daily bank deposit rates.

Short-term deposits are made for varying periods depending on the immediate cash requirements of the Group, and earn interest at the respective short term deposit rates.

The fair value of cash and cash equivalents is equal to their book value.

NOTE 6: RECEIVABLES

	10 $'000	09 $'000
Current		
Sundry debtors (a)	8,390	4,555
Allowance for impairment loss	(1,857)	(159)
	6,533	**4,396**
Non Current		
Sundry debtors	7,070	8,737
Allowance for impairment loss	(2,987)	(3,180)
	4,083	**5,557**

(a) Current sundry debtors are non interest bearing and are generally on 30-60 day terms. A provision for doubtful debt is recognised when there is objective evidence that the Group may not be able to collect all amounts due according to original terms of the transaction.

(b) Receivables past due but not considered impaired are $3.8m (2009: $8.4m). Payment terms on these amounts have not been re-negotiated, however the Group maintains direct contact with the relevant debtor and is satisfied that payment will be received in full.

Notes to the financial statements

for the year ended 30 June 2010

NOTE 6: RECEIVABLES (CONTINUED)

	CONSOLIDATED 10 $'000	09 $'000
Movements in the allowance for impairment losses were as follows:		
At start of year	(3,339)	(5,685)
Charge for the year	(918)	(3,180)
Amount reversed	-	5,542
Foreign exchange translation	(587)	(16)
At end of year	**(4,844)**	**(3,339)**
As at 30 June, the aging analysis of current and non current sundry debtors is as follows:		
0-30 days	3,511	1,266
31-60 days	3,344	242
61-90 days (Past due but not impaired)	3,241	36
+91 days (Past due but not impaired)	520	8,409
+91 days (Considered impaired)	4,844	3,339
Total	**15,460**	**13,292**

NOTE 7: INVENTORIES

	10 $'000	09 $'000
Gold in circuit		
- At cost	10,899	24,216
- At net realisable value	14,672	-
Total gold in circuit	25,571	24,216
Consumables at cost	42,112	44,739
Ore stockpiles		
- At cost	14,477	6,310
- At net realisable value	3,594	-
Total ore stockpiles	18,071	6,310
	85,754	**75,265**

NOTE 8: AVAILABLE FOR SALE FINANCIAL ASSETS

	10 $'000	09 $'000
Shares at fair value - listed	818	1,107
	818	**1,107**

Available for sale financial assets consist of investments in ordinary shares, and therefore have no maturity date or coupon rate.

In the year ended 30 June 2009, the consolidated entity sold a portion of its shareholding in a listed company. $0.4m was released from the unrealised gain/loss reserve. Refer to Note 2(g) for amounts impaired during 2009.

NOTE 9: FINANCIAL DERIVATIVE ASSETS

	CONSOLIDATED	
	10 $'000	09 $'000
Current		
Gold put options (Note 36)	89	-
	89	**-**
Non Current		
Gold put options (Note 36)	901	6,457
	901	**6,457**

NOTE 10: OTHER ASSETS

	10 $'000	09 $'000
Current		
Prepayments	3,866	6,258
	3,866	**6,258**
Non Current		
Prepayments (a)	-	1,408
	-	**1,408**

(a) Amount represents the non-current portion of monies paid in connection with mining operations for the Syama gold mine.

NOTE 11: EXPLORATION AND EVALUATION EXPENDITURE - AT COST

The consolidated entity has the following gold mineral exploration and evaluation expenditure carried forward in respect of areas of interest:

	10 $'000	09 $'000
Areas in exploration and evaluation (at cost)		
Balance at the beginning of the year	8,928	15,406
- Expenditure during the year	1,448	2,178
- Transfers from/(to) areas in production or development	656	(526)
- Other transfers	353	36
- Impaired during the year	-	(10,172)
- Foreign currency translation	(406)	2,006
- Disposals during the year	(9)	-
Balance at the end of the year	**10,970**	**8,928**

Ultimate recoupment of costs carried forward, in respect of areas of interest in the exploration and evaluation phase, is dependent upon the successful development and commercial exploitation, or alternatively the sale of the respective areas at an amount at least equivalent to the carrying value. For areas which do not meet the criteria of the accounting policy per Note 1(p), those amounts are charged to the consolidated statement of comprehensive income.

Notes to the financial statements

for the year ended 30 June 2010

NOTE 12: DEVELOPMENT EXPENDITURE

	CONSOLIDATED	
	10 $'000	09 $'000
Areas in development (at cost)		
Balance at the beginning of the year	341,788	206,764
- Additions	71,535	161,333
- Syama gold mine preproduction gold sales	(38,253)	(14,495)
- Transfers (to)/from property, plant & equipment	(143,489)	2,887
- Transfers to areas in exploration and evaluation	(707)	-
- Transfers to areas in production	(206,004)	-
- Transfers to inventories	(1,636)	(16,306)
- Foreign currency translation	(23,234)	1,605
Balance at the end of the year	-	341,788
Areas in production (at cost)		
Balance at the beginning of the year	57,628	46,961
- Additions	11,354	15,049
- Transfers from areas in development	206,004	-
- Transfer from inventory	5,451	-
- Transfers from areas in exploration and evaluation	51	526
- Amount amortised during the year	(12,929)	(7,346)
- Foreign currency translation	(38,362)	1,117
- Adjustments to rehabilitation obligations	1,833	1,321
Balance at the end of the year	231,030	57,628
Total development expenditure	**231,030**	**399,416**

NOTE 13: PROPERTY, PLANT & EQUIPMENT

Consolidated	BUILDINGS $'000	PLANT & EQUIPMENT $'000	MOTOR VEHICLES $'000	OFFICE EQUIPMENT $'000	PLANT AND EQUIPMENT UNDER LEASE $'000	TOTAL $'000
30 JUNE 2010						
At 1 July 2009 net of accumulated depreciation	2,871	86,963	2,165	1,204	6,932	100,135
Additions	607	10,353	485	2,003	21	13,469
Transfers from areas in development	4,083	137,265	1,400	741	-	143,489
Disposals	-	(15)	(7)	(13)	-	(35)
Depreciation expense	(872)	(23,086)	(610)	(480)	(2,897)	(27,945)
Foreign exchange translation	(20)	(7,457)	(275)	(87)	-	(7,839)
At 30 June 2010 net of accumulated depreciation	6,669	204,023	3,158	3,368	4,056	221,274
30 JUNE 2010						
Cost	11,318	290,201	5,719	5,012	12,517	324,767
Accumulated depreciation	(4,649)	(86,178)	(2,561)	(1,644)	(8,461)	(103,493)
Net carrying amount	**6,669**	**204,023**	**3,158**	**3,368**	**4,056**	**221,274**
Consolidated						
30 June 2009						
At 1 July 2008 net of accumulated depreciation	3,078	86,835	1,201	527	3,797	95,438
Additions	285	13,855	1,553	979	5,151	21,823
Transfers to development expenditure, and other	-	(2,887)	-	-	-	(2,887)
Disposals	(9)	(430)	(6)	(4)	-	(449)
Depreciation expense	(589)	(14,052)	(569)	(283)	(2,016)	(17,509)
Foreign exchange translation	106	3,642	(14)	(15)	-	3,719
At 30 June 2009 net of accumulated depreciation	2,871	86,963	2,165	1,204	6,932	100,135
30 June 2009						
Cost	6,781	151,718	4,544	2,560	12,496	178,099
Accumulated depreciation	(3,910)	(64,755)	(2,379)	(1,356)	(5,564)	(77,964)
Net carrying amount	**2,871**	**86,963**	**2,165**	**1,204**	**6,932**	**100,135**

NOTE 14: DEFERRED MINING COSTS

	CONSOLIDATED 10 $'000	CONSOLIDATED 09 $'000
Deferred mining costs	13,504	17,188
	13,504	**17,188**

These costs represent prepaid mining expenses deferred in accordance with the accounting policy referred in Note 1(o).

Notes to the financial statements

for the year ended 30 June 2010

NOTE 15: INVESTMENT IN ASSOCIATE

	CONSOLIDATED 10 $'000	CONSOLIDATED 09 $'000
(a) Investment details		
Listed		
Viking Ashanti Limited	5,892	-
	5,892	**-**

The Group holds 23 million shares in Viking Ashanti Limited which represents 33.25% of their ordinary shares on issue.

(b) Movements in the carrying amount of the Group's investment in associate

	10 $'000	09 $'000
Viking Ashanti Limited		
At 1 July	-	-
Purchase of investment	6,150	-
Share of loss after income tax	(258)	-
At 30 June	**5,892**	**-**

(c) Fair value of investment in listed associate

The market value of the Group's investment in Viking Ashanti Limited is $5,290,000 (2009: $nil).

(d) Summarised financial information

The following table illustrates summarised financial information relating to the Group's associate:

	10 $'000	09 $'000
Extract from the associate's statement of financial position		
Current assets	7,856	-
Non-current assets	6,374	-
Total assets	14,230	-
Current liabilities	477	-
Non-current liabilities	-	-
Total liabilities	477	-
Net assets	13,753	-
Share of associates' net assets	**4,573**	**-**
Extract from the associate's statement of comprehensive income:		
Revenue	-	-
Net Loss	(1,030)	-

Notes to the financial statements

for the year ended 30 June 2010

NOTE 16: PAYABLES

	CONSOLIDATED 10 $'000	CONSOLIDATED 09 $'000
Trade creditors and accruals (a)	47,652	56,135
	47,652	56,135

(a) Payables are non interest bearing and generally settled on 30-90 day terms. Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value.

NOTE 17: INTEREST BEARING LIABILITIES

	10 $'000	09 $'000
Current		
Lease liabilities (a)	1,865	2,976
Borrowings (b),(e)	21,221	15,480
Bank overdraft (d)	6,359	5,821
	29,445	24,277
Non Current		
Lease liabilities (a)	1,851	3,271
Borrowings (b),(e)	26,213	57,041
Convertible notes (c),(e)	65,236	40,426
	93,300	100,738

(a) Carpentaria Gold Pty Ltd ("CGPL"), a wholly owned subsidiary of RML, has entered into hire purchase agreements with Esanda Finance Corporation Limited, Caterpillar Financial Australia Limited and Atlas Copco Customer Finance Pty Ltd for the purchase of mining equipment which is being used at Mt Wright, Ravenswood. Several of these hire purchase agreements expired during the current year and were refinanced. Monthly instalments are required under the terms of the contracts which expire between July 2010 and December 2012. RML has provided an unsecured parent entity guarantee to these financiers in relation to these finance facilities.

(b) The US$33.5m (or $39.4m in AUD equivalent terms) senior debt facility provided by Barclays Bank Plc, the derivative facilities provided by Barclays Bank Plc and Investec Bank (Australia) Limited, a $5m environmental bond facility and a US$8.1m (or $9.9m in AUD equivalent terms) deferred premium loan facility provided by Barclays Bank Plc are secured by the following:

(i) Cross Guarantee and Indemnity given by RML, Carpentaria Gold Pty Ltd, Resolute (Tanzania) Limited, Mabangu Mining Limited, Resolute Pty Ltd, Resolute (Treasury) Pty Ltd and Resolute (Somisy) Limited;

(ii) fixed and floating charge over all the current and future assets of Resolute (Tanzania) Limited including onshore and offshore bank accounts and shares of Mabangu Mining Ltd;

(iii) fixed and floating charge over all the current and future assets of Mabangu Mining Limited including onshore and offshore bank accounts;

(iv) mortgage over mining lease ML 19/97 of the Resolute (Tanzania) Limited group;

(v) mortgage over prospecting licences PL 1461/2000, PL 1462/2000, PL 1732/2001, PL 347/95, PL 1833/2001, PL 1890/2002, PL 1891/2002 and PL 1892/2002 of Resolute (Tanzania) Limited;

(vi) share Mortgage by Resolute Pty Ltd over all of its shares in Resolute (Tanzania) Limited and including an assignment of Tanzanian general and political risks insurance policies with the Security Trustee being named as the loss payee;

(vii) share Mortgage by the Borrower over all of its shares in Carpentaria Gold Pty Ltd;

(viii) share Mortgage by the Borrower over all of its shares in Resolute (Somisy) Limited and including an assignment of rights under Malian general and political risks insurance policies with the Security Trustee being named as the loss payee;

(ix) fixed and floating charge over all the current and future assets of Resolute (Treasury) Pty Ltd including bank accounts and an assignment of all Hedging Contracts;

NOTE 17: INTEREST BEARING LIABILITIES (CONTINUED)

(x) fixed and floating charges over all the current and future assets of Carpentaria Gold Pty Ltd including bank accounts and an assignment of all Hedging Contracts;

(xi) mortgage over key Carpentaria Gold Pty Ltd mining tenements, and

(xii) mortgage over the loan receivable from Societe des Mines de Syama SA.

The US$33.5m senior debt facility is a revolving corporate loan that is to be repaid in half yearly instalments from December 2010 to December 2012; these instalments are included in note 36(d). The term of the derivative facilities extends to 30 September 2011. The environmental bond facility expires on 31 December 2012.

The total assets of the entities over which security exists amounts to A$696.7m.

The following debt ratios are required to be maintained:

(i) A debt service cover ratio of not less than 1.35:1;

(ii) a loan life cover ratio of not less than 1.65:1; and,

(iii) a reserve tail ratio of not less than 30%.

There have been no breaches of the above ratios.

Refer to Note 36(b) for details of average interest rates.

(c) The Group issued 34,091,911 convertible notes at a price of $0.70 each and 11,363,636 options at a price of $0.10 each in the year ended 30 June 2010. Gross proceeds of $25.0m were raised as a result of these issues. The effective interest rate on these convertible notes for accounting purposes is 16.41%. A portion of the funds raised pursuant to the issue of convertible notes has been recognised in the Convertible Notes Equity Reserve.

The Group issued 103,443,677 convertible notes in the year ended 30 June 2009 at a price of $0.50 each raising $51.7m. Subscribers also received one free option for every 3 convertible notes taken up under this offer. The effective interest rate on these convertible notes for accounting purposes is 18.18%. A portion of the funds raised pursuant to the issue have been recognised in the Convertible Notes Equity Reserves.

The notes are unsecured and subordinated to the senior credit facilities, have a coupon rate of 12% on the $0.50 face value and are convertible into ordinary shares, one for one, at the option of the holder up until 31 December 2012 or repayable by the Company on 31 December 2012. The Company has the right to redeem the notes from 31 December 2011 by paying $0.50 per note to the note holders, and in this event, the note holder has the right to convert their notes into ordinary shares on a one for one basis prior to them being redeemed). The terms of the convertible notes also allow for the Company to determine at a future date whether interest will be paid 6 monthly in arrears (in the form of cash or shares) or whether the payment of interest will be deferred until the third anniversary of the convertible notes. Full terms and conditions of the convertible notes can be found in the Convertible Note Trust Deed.

During the year ended 30 June 2010 583,558 convertible notes were converted into ordinary shares. The total number of convertible notes remaining was 151,152,268 as at 30 June 2010.

(d) This facility is in place indefinitely, is subject to an annual revision in approximately September 2010, and has an interest rate of 8% per annum on the basis of usage. The maximum limit of this facility is $11.1m (AUD equivalent), and as at balance date $4.7m (AUD equivalent) of the facility was unused.

(e) During the year ending 30 June 2009, the Group drew down on all of a $20.0m standby credit facility. $10.0m was switched by the financiers into Resolute convertible notes during the year ended 30 June 2009 and the remaining $10.0m was outstanding on 30 June 2009. During the year ended 30 June 2010, the $10m loan facility plus accrued fees was converted to 14,201,475 convertible notes and 4,733,825 listed options.

NOTE 18: FINANCIAL DERIVATIVE LIABILITIES

	CONSOLIDATED 10 $'000	09 $'000
Current		
Gold forwards (Note 36)	92,075	52,820
Gold call options (Note 36)	-	129
	92,075	**52,949**
Non Current		
Gold forwards (Note 36)	21,026	62,358
	21,026	**62,358**

NOTE 19: PROVISIONS

	10 $'000	09 $'000
Current		
Site restoration (a)	5,319	1,929
Employee entitlements	4,724	4,113
Dividend payable	69	69
Other provisions	821	825
	10,933	**6,936**
Non Current		
Site restoration (a)	28,103	29,740
Employee entitlements	521	281
	28,624	**30,021**
(a) Site restoration		
Balance at the beginning of the year	31,669	28,090
Restoration borrowing cost unwound	519	999
Change in scope of restoration provision	4,081	3,863
Utilised during the year	(985)	(2,167)
Foreign exchange translation	(1,862)	884
Balance at the end of the year	**33,422**	**31,669**
Reconciled as:		
Current provision	5,319	1,929
Non- current provision	28,103	29,740
Total provision	33,422	31,669

The nature of restoration activities includes dismantling and removing structures, rehabilitating mines, dismantling operating facilities, closure of plant and waste sites and restoration, reclamation and revegetation of affected areas. Typically the obligation arises when the asset is installed at the production location. When the liability is initially recorded, the estimated cost is capitalised by increasing the carrying amount of the related mining assets. Over time, the liability is increased for the change in present value based on the discount rates that reflect the current market assessments and the risks specific to the liability. Additional disturbances or changes in rehabilitation costs will be recognised as additions or changes to the corresponding asset and rehabilitation liability when incurred.

NOTE 20: OTHER LIABILITIES

	CONSOLIDATED 10 $'000	09 $'000
Financial guarantees (a)	37	193
	37	**193**

(a) RML agreed to provide financial support to the Syama mining contractor (PW Mining International Ltd S.A.R.L) by guaranteeing the repayment to its financier of outstanding amounts borrowed. The amount outstanding at 30 June 2010 by PW Mining International Ltd S.A.R.L to its financier is US$3.1m. The amount shown is the recognition of the financial guarantee at fair value. The fair value has been calculated by assessing the probability of this guarantee being called by the financier.

NOTE 21: CONTRIBUTED EQUITY

(a) Contributed equity

	10 $'000	09 $'000
Ordinary share capital:	**237,083**	**209,680**

392,586,434 ordinary fully paid shares (2009: 352,313,556)

(b) Movements in contributed equity, net of issuing costs

	10 $'000	09 $'000
Balance at the beginning of the year	209,680	171,867
Conversion of 583,558 convertible notes to shares at $0.50 per share	269	-
Placement of 30,000,000 shares to M&G Investments at $0.63 per share	17,862	-
Exercise of 109,640 listed options at $0.60 per share	66	-
Issue of 4,818,911 shares to Convertible Note holders in lieu of interest payable at $0.94 per share	4,540	-
Exercise of 286,998 unlisted options at $0.42 per share	116	-
Issue of 4,474,355 shares to Convertible Note holders in lieu of interest payable at $1.02 per share	4,550	-
Exercise of 150,000 unlisted options at $1.42 per share	-	211
Exercise of 55,000 unlisted options at $1.13 per share	-	60
Issue of 30,072,231 shares pursuant to the 1 for 9 Renounceable Rights Issue at $0.40 per share	-	11,042
Issue of 35,720,000 shares to sophisticated investors at $0.70 per share	-	23,372
Exercise of 951 listed options at $0.60 per share	-	1
Issue of 5,485,649 shares to Convertible Note holders in lieu of interest payable at $0.57 per share	-	3,127
Balance at the end of the year	**237,083**	**209,680**

Effective 1 July 1998, the Corporations legislation abolished the concepts of authorised capital and par value shares. Accordingly the Company does not have authorised capital nor par value in respect of its issued capital.

(c) Terms and conditions of contributed equity

Ordinary shares have the right to receive dividends as declared and in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

(d) Employee share options

Refer to Note 31 for details of the Employee Share Option Plan. Each option entitles the holder to purchase one share. The names of all persons who currently hold employee share options, granted at any time, are entered into the register kept by the Company, pursuant to Section 215 of the Corporations Act 2001. Persons entitled to exercise these options have no right, by virtue of the options, to participate in any share issue by the parent entity or any other body corporate.

NOTE 21: CONTRIBUTED EQUITY (CONTINUED)

(e) Capital management

The Group's and the parent entity's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and to maintain a capital structure that is appropriate for the Group's current and/or projected financial position.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders (if any), return capital to shareholders, issue new shares, borrow from financiers or sell assets to reduce debt.

The Group monitors the adequacy of capital by analysing cash flow forecasts over the term of the Life of Mine for each of its projects. To a lesser extent, gearing ratios are also used to monitor capital. Appropriate capital levels are maintained to ensure that all approved expenditure programs are adequately funded. This funding is derived from an appropriate combination of debt and equity.

The gearing ratio is calculated as net debt divided by total capital. Net debt is defined as interest bearing liabilities less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the Consolidated statement of financial position (including non-controlling interest) plus net debt.

	CONSOLIDATED	
	10	09
Gearing Ratio	37%	37%

The Group is not subject to any externally imposed capital requirements. Refer to Note 1(a) for discussion regarding future cash flow requirements.

Notes to the financial statements

for the year ended 30 June 2010

NOTE 22: RESERVES

(a) Movements in reserves

Consolidated	FOREIGN CURRENCY TRANSLATION RESERVE	HEDGE RESERVE PUT OPTIONS GAIN/(LOSS)	HEDGE RESERVE FORWARDS GAIN/(LOSS)	UNREALISED GAIN/(LOSS) RESERVE	SHARE BASED PAYMENTS RESERVE	CONVERTIBLE NOTES EQUITY RESERVE	SHARE OPTIONS EQUITY RESERVE	TOTAL
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
As at 1 July 2008	(9,183)	(42)	9,490	63	1,103	-	-	1,431
Currency translation differences	9,816	-	-	-	-	-	-	9,816
Hedge reserve put options, net of tax	-	42	-	-	-	-	-	42
Hedge reserve forwards, net of tax	-	-	(4,147)	-	-	-	-	(4,147)
Unrealised gain/(loss) reserve, net of tax	-	-	-	301	-	-	-	301
Share based payments to employees	-	-	-	-	396	-	-	396
Value of conversion rights on convertible notes (including transaction costs, net of tax (i))	-	-	-	-	-	3,492	-	3,492
Value of options issued to convertible note and share holders, net of tax	-	-	-	-	-	-	4,064	4,064
As at 30 June 2009	633	-	5,343	364	1,499	3,492	4,064	15,395
Currency translation differences	(348)	-	-	-	-	-	-	(348)
Hedge reserve put options, net of tax	-		-	-	-	-	-	-
Hedge reserve forwards, net of tax	-	-	(5,343)	-	-	-	-	(5,343)
Unrealised gain/(loss) reserve, net of tax	-	-	-	(200)	-	-	-	(200)
Share based payments to employees	-	-	-	-	522	-	-	522
Value of conversion rights on convertible notes (including transaction costs, net of tax (i))	-	-	-	-	-	10,741	-	10,741
Value of options issued to convertible note and share holders, net of tax	-	-	-	-	-	-	1,923	1,923
AS AT 30 JUNE 2010	**285**	**-**	**-**	**164**	**2,021**	**14,233**	**5,987**	**22,690**

(i) The gross transaction costs allocated to the equity component of the convertible notes were $0.1m (2009: $0.9m).

(b) Nature and purpose of reserves

(I) FOREIGN CURRENCY TRANSLATION RESERVE

Exchange differences arising on translation of the foreign controlled entities are taken to the foreign currency translation reserve, refer Note 1(d)(ii).

(II) HEDGE RESERVES

The hedging reserves are used to record gains or losses on an effective hedging instrument, refer Note 1(n). Ineffective amounts are recognised in the consolidated statement of comprehensive income.

(III) UNREALISED GAIN/(LOSS) RESERVE

This reserve records fair value changes on available for sale investments, refer Note 1(l)(iv).

(IV) SHARE BASED PAYMENT RESERVE

The share based payments reserve is used to recognise the fair value of options granted over the vesting period of the option, refer Note 1(y)(iv).

(V) CONVERTIBLE NOTES EQUITY RESERVE

This reserve records the value of the equity portion (conversion rights) of the convertible notes.

(VI) SHARE OPTIONS EQUITY RESERVE

The equity reserve records transactions between owners as owners.

NOTE 23: RETAINED EARNINGS

	CONSOLIDATED 10 $'000	CONSOLIDATED 09 $'000
Retained profits at the beginning of the year	78,231	47,555
Net (loss)/profit attributable to members of the parent	(37,173)	30,676
Retained profits at the end of the financial year	**41,058**	**78,231**

NOTE 24: EXPLORATION AND DEVELOPMENT COMMITMENTS

Exploration commitments:

Due to the nature of the consolidated entity's operations in exploring and evaluating areas of interest, it is very difficult to accurately forecast the nature or amount of future expenditure, although it will be necessary to incur expenditure in order to retain present interests in mineral tenements. Expenditure commitments on mineral tenure for the parent entity and consolidated entity can be reduced by selective relinquishment of exploration tenure or by the renegotiation of expenditure commitments. The approximate level of exploration expenditure expected in the year ending 30 June 2011 for the consolidated entity is approximately $12.8m (2010: $9.9m). This includes the minimum amounts required to retain tenure.

NOTE 25: LEASE COMMITMENTS

a) Finance Lease

	10 $'000	09 $'000
Lease expenditure contracted and provided for:		
Due within one year	2,119	3,365
Due between one and five years	1,937	3,575
Total minimum lease payments	4,056	6,940
Less finance charges	(340)	(693)
Present value of minimum lease payments	**3,716**	**6,247**
Reconciled to:		
Current liability	1,865	2,976
Non current liability	1,851	3,271
	3,716	**6,247**

b) Operating leases (non-cancellable)

	10 $'000	09 $'000
Due within one year	773	220
Due between one and five years	2,827	-
Aggregate lease expenditure contracted for at balance date but not provided for	**3,600**	**220**

The operating lease expenditure relates to the rental of office premises and is fixed.

Notes to the financial statements

for the year ended 30 June 2010

NOTE 26: RELATED PARTY TRANSACTIONS

(i) Refer to Note 34 for directors' indirect and direct interests in securities.

(ii) RML is the ultimate Australian holding company and there is no controlling entity of RML at 30 June 2010.

(iii) The directors received the following shares in lieu of interest payable on convertible notes held by them:

	FULLY PAID ORDINARY SHARES
P. Huston	–
P. Sullivan	12,269
T. Ford	12,269
H. Price	6,134

NOTE 27: INTERESTS IN JOINT VENTURES

The consolidated entity has an interest in the following material joint ventures, whose principal activities are to explore for gold. The Group's interests in the assets employed in the joint venture are included in the consolidated statement of financial position, in accordance with the accounting policy as described in Note 1(b)(ii).

There are no commitments relating to the joint ventures (2009: nil).

Jointly controlled assets

INTERESTS IN JOINT VENTURES			
ENTITY HOLDING INTEREST	OTHER PARTICIPANT/JOINT VENTURE	PERCENTAGE OF INTEREST HELD	
		2010 %	2009 %
Mabangu Mining Limited	Sub-Sahara/Nyakafuru JV	51%	51%
		Elected to earn additional 19%	Elected to earn additional 19%
Resolute Pty Ltd	Etruscan/Finkolo JV	60%	60%
Carpentaria Gold Pty Ltd	Denjim/Welcome Breccia JV	Earning 80%	-

Notes to the financial statements

for the year ended 30 June 2010

NOTE 28: NOTES TO THE CASH FLOW STATEMENT

	CONSOLIDATED	
	10 $'000	09 $'000
(a) Reconciliation of net(loss)/profit fron continuing operations after income tax to the net cash flows		
Net (loss)/profit from ordinary activities after income tax	(56,571)	30,676
Add/(deduct):		
Share based payments expense	522	396
Profit on sale of subsidiaries	(7,208)	-
(Profit)/loss on sale of property, plant and equipment	(1,934)	134
Loss on sale of available for sale financial assets	28	436
Rehabilitation provision discount adjustment	519	999
Rehabilitation provision adjustment from non operating mine sites	(726)	217
Depreciation and amortisation of property, plant and equipment	24,967	17,509
Amortisation of exploration, development and rehabilitation costs	18,445	10,252
Foreign exchange loss	72,520	14,039
Impairment of accounts receivable	-	3,180
Impairment of available for sale financial assets	-	3,140
Impairment of acquired exploration and evaluation assets	-	10,172
Profit on sale of Dominion/Challenger royalty	-	(10,033)
Royalty income	-	(1,208)
Capitalised finance costs	(536)	(706)
Non cash finance costs	7,625	-
Other	52	482
Changes in operating assets and liabilities:		
(Increase)/decrease in receivables	(10,068)	4,006
Increase in inventories	(10,489)	(32,056)
Increase in financial derivatives	(4,082)	(9,208)
Decrease/(increase) in prepayments	3,800	(1,304)
Increase/(decrease) in deferred mining costs	3,684	(2,115)
(Decrease)/increase in payables	(14,775)	14,184
Increase in provision for taxation	1,294	-
Increase/(decrease) in deferred tax balances	2,124	(3,238)
Increase in provisions	2,600	5,370
Net operating cash flows	**31,791**	**55,324**

Notes to the financial statements

for the year ended 30 June 2010

NOTE 28: NOTES TO THE CASH FLOW STATEMENT (CONTINUED)

(b) Finance Leases

Refer to Note 17(a) for additions to finance leases and for terms and conditions.

(c) Non cash operating, financing and investing activities

2010

The consolidated entity repaid the Utilico debt facility, interest and fees (totalling $10.4m) by issuing 14,201,475 convertible notes at an issue price of 70 cents each and 4,733,825 listed options at an issue price of 10 cents each.

The consolidated entity issued 500,000 options in lieu of fees owing with a strike price of 74 cents to Utilico Limited as facility fees. The value of the options issued was $0.1m. Refer to Option issue 2 below for the assumptions used in the valuation of options.

The consolidated entity issued shares to the value of $9.1m for no consideration to convertible note holders in lieu of interest payable.

The consolidated entity issued 3,000,000 options with a strike price of 72 cents to Barclays Bank Plc upon the restructuring of the senior debt facility. The value of the options issued was $1.1m. Refer to Option issue 1 below for the assumptions used in the valuation of options.

The consolidated entity received shares in Viking Ashanti Limited as consideration for the disposal of a number of its Ghanaian subsidiaries (refer Note 37).

2009

The consolidated entity issued 78,237,463 listed options (for nil consideration) with a strike price of 60 cents per share along with the issue of 103,443,677 convertible notes and 30,072,231 shares (pursuant to the 1 for 9 non-renounceable rights issue). 44,505,303 of the total options were attached to the convertible notes, and the remaining 33,732,160 options were issued as loyalty options to investors who had made a firm commitment to participate in the capital raising. The value of the loyalty options issued was $5.2m. Refer to Option issue 5 for the assumptions used in the valuation of options.

Establishment, drawdown and quarterly extension fees valued at $0.6m were paid by way of issuing listed options. Refer to Option issues 3, 4 and 6 for the details of those options.

	OPTION ISSUE					
INPUT	1	2	3	4	5	6
Number of Options	3,000,000	500,000	1,750,000	500,000	33,732,160	1,250,000
Grant date	24/10/2009	20/7/2009	9/4/2009	28/1/2009	23/12/2008	7/10/2008
Expected volatility (%)	50%	50%	50%	50%	50%	50%
Risk free rate (%)	7%	7%	7%	7%	6%	7%
Expected life of options (years)	3	3	3	3	3	3
Original option exercise price ($)	0.72	0.74	0.60	1.00	0.60	1.64
Share price at grant date ($)	0.81	0.64	0.40	0.73	0.48	1.01
Value per option at grant date ($)	0.36	0.22	0.11	0.22	0.15	0.25

Notes to the financial statements

for the year ended 30 June 2010

NOTE 29: CONTROLLED ENTITIES

The following were controlled entities during the year and have been included in the consolidated accounts. All entities in the consolidated entity carry on business in their place of incorporation.

NAME OF CONTROLLED ENTITY AND COUNTRY OF INCORPORATION	CONSOLIDATED ENTITY COMPANY HOLDING THE INVESTMENT	PERCENTAGE OF SHARES HELD BY CONSOLIDATED ENTITY 10 %	09 %
Abore Mining Company Limited, Ghana (b)	Associated Gold Fields Pty Ltd	-	90
Associated Gold Fields Pty Ltd, Aust. (a),(b)	Resolute Pty Ltd	-	100
	Tuki Nominees Pty Ltd		
	Kiwi International Resources Pty Ltd		
Broken Hill Metals Pty Ltd, Aust. (a)	Resolute (Treasury) Pty Ltd	100	100
Carpentaria Gold Pty Ltd, Aust.	Resolute Mining Limited	100	100
Ghana Mining Investments Pty Ltd, Aust. (a),(b)	Associated Gold Fields Pty Ltd	-	100
Goudhurst Pty Ltd, Aust. (a)	Stockbridge Pty Ltd	100	100
Kiwi Goldfields Limited, Ghana (b)	Associated Gold Fields Pty Ltd	-	100
	Kiwi International Resources Pty Ltd		
Kiwi International Resources Pty Ltd, Aust. (a),(b)	Associated Gold Fields Pty Ltd	-	100
Mabangu Exploration Limited, Tanzania	Resolute (Tanzania) Limited	100	100
Mabangu Mining Limited, Tanzania	Resolute (Tanzania) Limited	100	100
Obenemase Gold Mines Ltd, Ghana (b)	Ghana Mining Investments Pty Ltd	-	90
Resolute (CDI Holdings) Limited, Jersey (a),(d)	Resolute Mining Limited	100	-
Resolute CI SARL, Cote d'Ivoire (e)	Resolute (CDI Holdings) Limited	100	-
Resolute (Finkolo) Limited, Jersey (a)	Resolute Mining Limited	100	100
Resolute (Ghana) Limited, Ghana (c)	Resolute Mining Limited	100	100
Resolute Mali S.A.,Mali	Resolute (Somisy) Limited	100	100
Resolute (Somisy) Limited, Jersey (a)	Resolute Mining Limited	100	100
Resolute (Tanzania) Limited, Tanzania	Resolute Pty Ltd	100	100
Resolute (Treasury) Pty Ltd, Aust. (a)	Resolute Mining Limited	100	100
Resolute Amansie Limited, Ghana (b)	Associated Gold Fields Pty Ltd	-	90
	Kiwi International Resources Pty Ltd		
Resolute Pty Ltd, Aust.	Resolute Mining Limited	100	100
Resolute Resources Pty Ltd, Aust. (a)	Resolute Pty Ltd	100	100
Societe des Mines de Syama S.A., Mali	Resolute (Somisy) Limited	80	80
Stockbridge Pty Ltd, Aust. (a)	Resolute (Treasury) Pty Ltd	100	100
Stockbridge Services Unit Trust, Aust. (a),(f)	Stockbridge Pty Ltd	-	100
Tuki Nominees Pty Ltd, Aust. (a)	Resolute Pty Ltd	100	100

(a) These entities are not required to be separately audited. An audit of the entity's results and position is performed for the purpose of inclusion in the consolidated entity's accounts.

Notes to the financial statements

for the year ended 30 June 2010

NOTE 29: CONTROLLED ENTITIES (CONTINUED)

(b) On 7 May 2010 the following entities were sold to Viking Ashanti Limited (refer to Note 37):

- Abore Mining Company Limited;
- Associated Gold Fields Pty Ltd;
- Ghana Mining Investments Pty Ltd;
- Kiwi Goldfields Limited;
- Kiwi International Resources Pty Ltd;
- Obenemase Gold Mines Ltd; and,
- Resolute Amansie Limited.

c) During the year, ownership of Resolute (Ghana) Limited transferred from Resolute Pty Ltd wholly to Resolute Mining Limited.

d) On 10 May 2010, Resolute (CDI Holdings) Limited was incorporated as a wholly owned subsidiary of Resolute Mining Limited.

e) On 26 March 2010, Resolute CI SARL was incorporated as a wholly owned subsidiary of Resolute (CDI Holdings) Limited.

f) On 30 June 2010, the Stockbridge Services Unit Trust, Australia was terminated.

NOTE 30: AUDITOR REMUNERATION

	CONSOLIDATED	
	10 $'000	09 $'000
Amounts received or due and receivable by Ernst & Young Australia, from entities in the consolidated entity or related entities:		
Auditing (i)	305,580	319,643
Taxation planning advice and review	81,560	82,268
	387,140	401,911
)i) Included in the current year is $11,000 (2009: $42,000) pertaining to additional work performed in relation to the audit of the prior year.		
Amounts received or due and receivable by a related overseas office of Ernst & Young, from entities in the consolidated entity or related entities:		
Auditing (Ernst & Young, Ghana)	-	18,154
Tax Advice (Ernst & Young, Ghana)	8,750	-
	8,750	18,154
Total amounts received or due and receivable by Ernst & Young globally	395,890	420,065
Amounts received or due and receivable by non Ernst & Young firms for auditing	37,522	36,607

NOTE 31: EMPLOYEE BENEFITS

a) Employee entitlements

The aggregate employee entitlement liability is comprised of:

	10 $'000	09 $'000
Provisions (current) (Note 19)	4,724	4,113
Provisions (non current) (Note 19)	521	281
	5,245	**4,394**

NOTE 31: EMPLOYEE BENEFITS

(b) Employee share option plan

An employee share option plan has been established where executives and members of staff of the consolidated entity are issued with options over the ordinary shares of RML. The options, issued for nil consideration, are issued in accordance with the terms and conditions of the shareholder approved RML Employee Share Option Plan and performance guidelines established by the directors of RML.

The options do not provide any dividend or voting rights. The options are not quoted on the ASX.

Outstanding at balance date are 55,000 options (Options C). This balance has remained unchanged since 30 June 2009. These options were issued on 24 March 2006 with an exercise price of $1.28 and an expiry date of 23 March 2011. One third of the options were able to be exercised 6 months after issue, a further one third 18 months after issue and the remaining one third 30 months after issue. Pursuant to the rights issues in the years ended 30 June 2008 and 30 June 2009, the strike price reduced by 16 cents per option in accordance with the RML Share Option Plan. The strike price is now $1.12.

Also outstanding at balance date are 255,000 options (Options D) which are comprised of the opening balance of 335,000 less 80,000 options lapsed during the year. These options were issued on 25 October 2006 with an exercise price of $1.48 and an expiry date of 24 October 2011. One third of the options were able to be exercised 6 months after issue, a further one third 18 months after issue and the remaining one third 30 months after issue. Pursuant to the rights issues in the years ended 30 June 2008 and 30 June 2009, the strike price reduced by 16 cents per option in accordance with the RML Share Option Plan. The strike price is now $1.32.

Also outstanding at balance date are 213,000 options (Options E) which are comprised of the opening balance of 237,000 less 24,000 options lapsed during the year. These options were issued on 25 March 2008 with an exercise price of $2.13 and an expiry date of 23 May 2013. One third of the options were able to be exercised 6 months after issue, a further one third 18 months after issue and the remaining one third 30 months after issue. Pursuant to the rights issues in the years ended 30 June 2008 and 30 June 2009, the strike price reduced by 1 cent per option in accordance with the RML Share Option Plan. The strike price is now $2.12.

Also outstanding at balance date are 75,000 options (Options F) which are comprised of the opening balance of 99,000 less 24,000 options lapsed during the year. These options were issued on 29 August 2008 with an exercise price of $1.63. One third of the options were able to be exercised 6 months after issue, a further one third 18 months after issue and the remaining one third 30 months after issue. Pursuant to the rights issues in the year ended 30 June 2009, the strike price reduced by 1 cent per option in accordance with the RML Share Option Plan. The strike price is now $1.62.

Also outstanding at balance date are 1,173,002 options (Options G) which are comprised of the opening balance of 1,805,000, less 286,998 options exercised during the year and 345,000 options lapsed during the year. These options were issued on 31 January 2009 with an exercise price of $0.42 and an expiry date of 31 January 2014. One third of the options are able to be exercised 12 months after issue, a further one third 18 months after issue and the remaining one third 30 months after issue.

Options H were issued under the employee share option plan on 15 February 2010. These options were comprised of 1,237,000 options, with an exercise price of $1.09 and an expiry date of 14 February 2015. One third of the options are able to be exercised 6 months after issue, a further one third 18 months after issue and the remaining one third 30 months after issue. The balance of these options is 1,064,000 options being 1,237,000 less 173,000 options lapsed during the year.

Employees will only be able to exercise the options allocated to them if they meet certain performance criteria. Details of the employee share option plan for both the parent and the consolidated entity are as follows:

	2010 NUMBER OF OPTIONS	2010 WEIGHTED AVERAGE EXERCISE PRICE $	2009 NUMBER OF OPTIONS	2009 WEIGHTED AVERAGE EXERCISE PRICE $
Balance at the beginning of the year	2,571,000	0.74	1,246,000	1.62
- granted	1,237,000	1.09	1,985,000	0.48
- exercised/lapsed	(972,998)	0.73	(660,000)	1.64
Balance at end of year	**2,835,002**	**0.90**	**2,571,000**	**0.74**
Vested and exercisable at the end of the year	**406,000**	**1.47**	**542,000**	**1.45**

NOTE 31: EMPLOYEE BENEFITS (CONTINUED)

The following tables summarises information about options exercised by employees during the year:

NUMBER OF OPTIONS	GRANT DATE	EXERCISE DATE	EXPIRY DATE	WEIGHTED AVERAGE EXERCISE PRICE $	PROCEEDS FROM SHARES ISSUED $	NUMBER OF SHARES ISSUED	ISSUE DATE OF THE SHARES	FAIR VALUE OF SHARES ISSUED $
2010								
137,000	31 Jan 09	15 Feb 10	31 Jan 14	0.42	57,540	137,000	15 Feb 10	0.98
38,333	31 Jan 09	26 Mar 10	31 Jan 14	0.42	16,100	38,333	26 Mar 10	1.00
66,666	31 Jan 09	1 Apr 10	31 Jan 14	0.42	28,000	66,666	1 Apr 10	1.10
44,999	31 Jan 09	16 Apr 10	31 Jan 14	0.42	18,900	44,999	16 Apr 10	1.20
2009								
150,000	21 Dec 04	29 Aug 08	21 Dec 09	1.42	213,000	150,000	29 Aug 08	1.60
55,000	24 Mar 06	25 Sep 08	31 Dec 08	1.13	62,150	55,000	25 Sep 08	1.39

Fair value of the shares issued is estimated to be the market price of the shares of Resolute Mining Limited on the ASX as at close of trading on their respective issue dates.

The following table lists the key variables used in the option valuation:

	OPTIONS C	OPTIONS D	OPTIONS E	OPTIONS F	OPTIONS G	OPTIONS H
Number of options at year end	55,000	255,000	213,000	75,000	1,173,002	1,064,000
Dividend yield (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Expected volatility (%)	50%	50%	40%	40%	50%	50%
Risk free interest rate (%)	5.50%	5.50%	8.30%	7.00%	7.00%	7.00%
Expected life of options (years)	5	5	5	5	5	5
Original option exercise price ($)	1.28	1.48	2.13	1.63	0.42	1.09
Share price at grant date ($)	1.16	1.35	1.94	1.48	0.38	0.99
Value per option at grant date ($)	0.55	0.65	0.88	0.64	0.20	0.49

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of options granted were incorporated into the measurement of fair value.

The fair value of the options is measured at the grant date using the Black and Scholes option pricing model taking into account the terms and conditions upon which the instruments were granted. The services received and liabilities to pay for those services are recognised over the expected vesting period.

NOTE 32: CONTINGENT LIABILITIES & COMMITMENTS

Contingent Liabilities

(a) NATIVE TITLE CLAIMS

Native title determination applications have been lodged with the National Native Title Tribunal established under the Native Title Act 1993 over areas of interest currently leased by the consolidated entity. Some of those claims have been accepted by the Tribunal. Acceptance of an application by the Tribunal is merely a preliminary step in the procedure established by the Native Title Act to determine whether or not native title exists. The final effect of these claims is not known and the claims are not currently affecting the mining and exploration projects of the consolidated entity.

(b) TANZANIAN TAX AUTHORITIES

(I) GENERAL

The operations and earnings of the Group continue, from time to time, to be affected to varying degrees by fiscal, legislative, regulatory and political developments, including those relating to environmental protection, in the countries in which the Group operates.

The industry in which the Group is engaged is also subject to physical risks of various types. The nature and frequency of these developments and events, not all of which are covered by insurance, as well as their effect on future operations and earnings, are unpredictable.

(II) CORPORATIONS TAX ASSESSMENT

1) In 2005, Resolute (Tanzania) Limited ("RTL") received an income tax assessment from the Tanzanian Revenue Authority ("TRA"). The assessment is in relation to the period 1 July 1998 to 30 June 2004 and is for an amount of US$32.4 million. The assessment follows a review of RTL's affairs by a government appointed auditor. The review purports that RTL has not been able to substantiate the capital development costs and operating costs associated with the Golden Pride gold mine. In formulating the assessment, the TRA has decided to arbitrarily deny RTL deductions for 60% of its capital expenditure and 40% of all operating expenditure between 1 July 1998 and 30 June 2004. It has also increased assessable sales revenue by 40% over the same period, and did not recognise some of the carry forward losses for expenditures incurred prior to 30 June 1998.

The TRA assessment, in the Company's opinion, contains fundamental and material errors, has no substance or foundation in fact, and its issue appears to be a serious breach of due process. The Company strongly disputes the validity of the assessment and believes that there is no amount of income tax owing by RTL to the TRA. RTL will vigorously defend its position. Pursuant to the Tanzanian taxation system, taxpayers have the ability to object against an assessment by lodging a deposit with the tax authorities equal to one third of the assessed amount. The deposit must be made within one month of receiving an assessment. An objection to the assessment and a waiver to the requirement to lodge a deposit has been lodged by RTL with the appropriate Authority.

An additional income tax assessment was received in June 2008 for US$1.6 million. The company believes that this assessment is equally flawed.

Considerable time has since lapsed, and no response has been received on RTL's objection or waiver request, nor has any attempt been made to enforce the payment of the assessed tax.

2) As previously reported in prior period reports, in accordance with both Tanzanian tax legislation and the Mabangu Mining Limited ("MML", a wholly owned Group company incorporated in Tanzania, Africa) Development Agreement, MML withheld a 3% Management Services tax on payments it made to Goudhurst Pty Ltd ("GPL", a wholly owned Group company incorporated in Australia) for management services rendered to MML between 1998 and 2008. As outlined in an Assessment issued to MML in February 2009, the TRA believes the services rendered were actually professional services provided by GPL to MML, and as such would attract the higher withholding tax rate of 20%, or a difference amounting to US$1.8m.

MML strongly disagrees with the TRA's determination of the services rendered by GPL, and has received professional independent advice regarding the matter which concurs with MML's view. MML has filed statements of appeal with the Tanzanian Revenue Appeals Board and is awaiting for its appeal to be heard.

3) As previously reported in the prior period reports, in February 2009, MML received an assessment for US$4.7m from the TRA who claim that MML has entered into a tax avoidance scheme by not following through with its initial intention of liquidating MML in 2006. The TRA claim that MML ceased the liquidation of MML to avoid paying withholding tax that they believe would have been payable if MML had been liquidated and its retained profits distributed to RTL in the form of a dividend. In MML's opinion, the TRA assessment is fundamentally flawed and has no substance or foundation in fact. MML strongly disputes the validity of the assessment and believes there is no amount of withholding tax owing by MML to the TRA. MML has received professional advice confirming that even if MML were liquidated and its profits were distributed to RTL, no such withholding tax is payable on dividends paid by one Tanzanian entity to another. MML will vigorously defend its position and has applied for a waiver of any deposit payable to the TRA ordinarily required to defend the claim. A letter of objection was sent to the TRA in March 2009 and a request to the Commissioner General for a waiver of the one third tax deposit was submitted in February 2010. A response to this request is yet to be received.

The financial effects of all of the above TRA assessments have not been recognised within the accounts.

NOTE 32: CONTINGENT LIABILITIES & COMMITMENTS (CONTINUED)

(III) INDIRECT TAXES

The Tanzanian Revenue Authority ("TRA") has changed its interpretation on the tax legislation relating to the fuel levy and fuel excise and duties ("fuel taxes"). The amount paid by Resolute (Tanzania) Limited ("RTL", a wholly owned Group company incorporated in Tanzania, Africa) when it purchases fuel includes this payment of fuel taxes. The fuel supplier remits the fuel tax to the TRA, and as in a similar manner as is done with a Goods and Services Tax or a Value Added Tax, RTL would then lodge a claim to claim back from the TRA the fuel taxes it has paid to the supplier. Up until December 2005, the TRA refunded all of the fuel taxes paid by RTL. From January 2006 onwards, the TRA has changed its interpretation and has denied further refunding of fuel taxes if the fuel is used by a sub-contractor.

The TRA had previously refunded 9.1b Tanzanian Shillings ("Tsh") (or US$6.9m) of fuel taxes to RTL during the period from 1999 to 2005, but due to their new interpretation are now arguing they should not have. As a result, they demanded that the refunded amount be returned by RTL to the TRA by 3 October 2008, which did not occur.

RTL strongly disagrees with the TRA revised interpretation and it will continue to vigorously defend its position. The majority of the amounts sought by the TRA are "time barred" and can only be claimed from RTL if RTL has acted in a fraudulent manner. RTL has acted in accordance with the law. In addition, further protection is provided to RTL by its Mining Development Agreement, which limits the amount of fuel taxes to be paid by RTL.

In October 2008, RTL lodged an appeal against this demand and requested a waiver of any deposit to have this case heard by the Tax Appeal Board. The waiver was unsuccessful and the TRA agreed to a modified deposit to be paid, and is in the form of Tsh 150m (or approximately US$0.1m) per month up until the case is heard by the Tax Appeals Board (expected to be late 2010). Up until 30 June 2010, RTL has paid 17 monthly instalments of Tsh 150m (totalling approximately US$1.7m). These deposits are treated as a non-current receivable when they are paid.

(c) SUMMIT RESOURCES (AUST) PTY LTD, PALADIN ENERGY LIMITED AND AREVA NC (AUSTRALIA) PTY LTD

On 6 September 2006 RML entered into a Deed of Indemnity with Paladin Resources Limited ("Paladin") to indemnify Paladin and its related parties for any loss they suffer as a result of a material breach of the Isa Uranium Joint Venture Agreement due to disclosure of information concerning the Joint Venture to persons not party to the Joint Venture. Under this indemnity, in the circumstances which now pertain, RML's liability is capped at $75m. The Isa Uranium Joint Venture is a joint venture between Summit Resources (Aust) Pty Ltd ("Summit") and Mount Isa Uranium Pty Ltd ("MIU") (a wholly owned subsidiary of Valhalla Uranium Limited, which in turn is wholly owned by Paladin). Valhalla Uranium Limited was previously a wholly owned subsidiary of RML.

In September 2006 Summit commenced proceedings ("Proceedings") in the Supreme Court of Western Australia against RML and MIU in relation to disclosures allegedly in breach of the Isa Uranium Joint Venture Agreement. Summit claimed it was entitled to acquire MIU's interest in the Isa Uranium Joint Venture at 85% of value, on account of alleged disclosure of joint information by MIU and its predecessor Resolute, to amongst others, Paladin. Were Summit to be successful in the Proceedings and acquire MIU's interest in the Isa Uranium Joint Venture, RML would become liable to Paladin for an amount equal to 15% of the value of MIU's joint venture interest, capped at $75m.

On 3 August 2007, Summit, after having an Independent Committee (of the Board of Summit Resources Limited, Summit's holding company) obtain legal advice and review the commercial rationale for litigation, determined it to be in Summit's best interests to discontinue the Proceedings and as a result, a Deed of Release and Settlement was executed by Summit and the other parties to the Proceedings. The principal terms of settlement were that Proceedings be terminated on the basis that each party bears its own costs.

On 3 August 2007, Areva NC (Australia) Pty Ltd ("Areva") (a wholly owned subsidiary of French company, Areva NC) by then a 10% shareholder in Summit Resources Limited commenced an application to the Supreme Court of Western Australia to intervene in the Proceedings and act on behalf of Summit in the Proceedings (under section 237 of the Corporations Act). The application was heard by the Court in May 2009, and judgement is awaited.

If Areva's application is successful which includes overturning the Deed of Release and Settlement, then subject to any appeal, the Proceedings will be resumed and both MIU and Resolute will defend them . Were Summit to then be successful in the Proceedings and acquire MIU's interest in the Isa Uranium Joint Venture, RML would become exposed to a liability to Paladin for an amount equal to 15% of the value of MIU's joint venture interest, capped at $75m. RML is confident that at all times the disclosure obligations under the Isa Uranium Joint Venture Agreement have been complied with.

In October 2009, RML, Areva NC (Australia) Pty Ltd, Paladin Energy Limited ("Paladin"), Mt Isa Uranium Pty Ltd (a subsidiary of Paladin) and Summit Resources Limited entered into a conditional Deed of Settlement, Release and Assignment ("Settlement Agreement") to settle a number of outstanding matters, including litigation, between the various parties. Included in this Settlement Agreement is the termination of the Deed of Indemnity provided by RML to Paladin in 2006 (at the time RML sold its uranium assets to Paladin). The estimated cost associated with settling this conditional Settlement Agreement has been provided for in RML's accounts at 30 June 2010.

(d) TANESCO ELECTRICITY SUPPLY CONTRACT

Tanesco (the Tanzanian national electricity provider) provides electricity to RTL pursuant to an Electricity Supply Agreement. The Agreement refers to an annual price escalation formula containing escalation factors that are open to interpretation. Pursuant to Tanesco's interpretation of the escalation formula, 4.7b Tsh (USD$3.2m) relating to amounts in excess of the general Tanzanian public rate covering the period from 1 January 2008 to 30 June 2008 was invoiced to RTL. The rates charged by Tanesco in their invoice were significantly higher than the general Tanzanian public rate. The amount recognised by RTL reflected the amounts payable to Tanesco by RTL if it had terminated the Agreement and elected to receive and pay for electricity under the general Tanzanian public rate. Contract discussions are continuing and both parties have confirmed their commitment to find a fair and reasonable solution.

Since 1 July 2008, RTL has continued to pay (or accrue) the electricity costs at the general Tanzanian public rate, as both Tanesco and RTL have agreed that while rate negotiations are ongoing, RTL will continue to pay the general Tanzanian public rate. The difference between the billed rate and the general Tanzanian public rate for electricity used by RTL between 1 July 2008 to 30 June 2010, which has not been accrued for or paid, is approximately 3.8b Tsh (US$2.5m), bringing the total unrecognised amount in dispute to 8.4b Tsh (US$5.6m).

Commitments

(a) RANDGOLD/SYAMA ROYALTY

Pursuant to the terms of the Syama Sale and Purchase agreement, Randgold Resources Limited will receive a royalty on Syama production, where the gold price exceeds US$350 per ounce, of US$10 per ounce on the first million ounces of gold production attributable to Resolute Mining Limited ("RML") and US$5 per ounce on the next three million attributable ounces of gold production.

(b) NYAKAFURU ROYALTY

Resolute will be required to pay a royalty of US$10 per ounce for each additional resource ounce, attributable to the former Iamgold 34% interest that is proven up on the project, up to a total cap of US$3.75m.

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for the year ended 30 June 2010

NOTE 33: EARNINGS PER SHARE (EPS)

	CONSOLIDATED 10 $'000	09 $'000
Basic earnings per share		
(Loss)/profit used in calculation of basic earnings per share ($'000)	(37,173)	30,676
Weighted average number of ordinary shares outstanding during the period used in the calculation of basic EPS	375,297,701	297,921,013
Basic EPS (cents per share)	**(9.90)**	**10.30**
Diluted earnings per share		
Net (loss)/profit attributable to ordinary equity holders of the parent adjusted for the effect of convertible notes ($'000)	(30,810)	30,676
Weighted average number of ordinary shares outstanding during the period used in the calculation of basic EPS	375,297,701	297,921,013
Weighted average number of notional shares used in determining diluted EPS	n/a	17,103,396
Weighted average number of ordinary shares outstanding during the period used in the calculation of diluted EPS	375,297,701	315,024,409
Number of potential ordinary shares that are not dilutive and hence not included in calculation of diluted EPS	200,669,184	2,900,000
Diluted EPS (cents per share)	**(9.90)**	**9.74**

Dilutive instruments have not been included in the calculation of diluted earnings per share for 2010 because the result for the year was a loss.

Between the reporting date and the date of completion of these financial statements there have been the following transactions involving ordinary shares or potential ordinary shares:

(a) 149,999 unlisted and 299 listed options over Resolute Mining Limited Ordinary Shares were issued at an average exercise price of $0.42 per option; and,

(b) the issuance of Resolute Mining Limited Ordinary Shares were included in the confirmed details of a capital raising (refer to Note 38).

NOTE 34: KEY MANAGEMENT PERSONNEL

(a) Key management personnel

(i) DIRECTORS

P. Huston	Non-Executive Chairman
P. Sullivan	Director and Chief Executive Officer
T. Ford	Non-Executive Director
H. Price	Non-Executive Director

(ii) EXECUTIVES

G. Fitzgerald	General Manager - Finance & Administration and Company Secretary
P. Venn	General Manager - Business Development (Appointed 21 July 2008)
A. King	General Manager - Operations (Appointed 1 December 2008, contract terminated 30 July 2010)
M. Christie	General Manager - Exploration (Contract terminated 18 July 2008)*
M. Turner	General Manager - Operations (Contract terminated 12 September 2008)*

*Included in 2009 key management personnel

(b) Compensation of key management personnel

Details of remuneration provided to key management personnel are as follows:

	CONSOLIDATED	
	10 $'000	09 $'000
Short-term employee benefits	2,032,378	1,719,550
Post-employment benefits	199,175	235,209
Share-based payments	119,004	65,982
	2,350,557	2,020,741

Notes to the financial statements

for the year ended 30 June 2010

NOTE 34: KEY MANAGEMENT PERSONNEL (CONTINUED)

(a) Details of option holdings of key management personnel are as follows

	OPTIONS TYPE	BALANCE AT THE START OF THE YEAR	GRANTED DURING THE YEAR AS COMPENSATION (i)	GRANT DATE	FAIR VALUE OF OPTIONS AT GRANT DATE $	TOTAL FAIR VALUE OF OPTIONS AT GRANT DATE $	FIRST EXERCISE DATE OF OPTIONS GRANTED DURING THE YEAR
2010							
Directors							
P. Huston	Listed	26,761	-	-	-	-	-
P. Sullivan	Listed	133,333	-	-	-	-	-
T. Ford	Listed	133,333	-	-	-	-	-
H. Price	Listed	67,554	-	-	-	-	-
Officers							
G. Fitzgerald	Unlisted	225,000	90,000	15 Feb 2010	0.49	44,100	15 Aug 2010
P. Venn	Unlisted	225,000	90,000	15 Feb 2010	0.49	44,100	15 Aug 2010
P. Venn (ii)	Listed	-	-	-	-	-	-
A. King (iii)	Unlisted	150,000	90,000	15 Feb 2010	0.49	44,100	15 Aug 2010
2009							
Directors							
P. Huston	Listed	-	-	-	-	-	-
P. Sullivan	Listed	-	-	-	-	-	-
T. Ford	Listed	-	-	-	-	-	-
H. Price	Listed	-	-	-	-	-	-
Officers							
M. Turner	Unlisted	75,000	-	-	-	-	-
G. Fitzgerald (vi)	Unlisted	75,000	150,000	31 Jan 2009	0.20	30,000	1 Feb 2010
M. Christie (iv)	Unlisted	225,000	-	-	-	-	-
P. Venn (v),(vi)	Unlisted	24,000	201,000	(v)	(v)	62,640	(v)
A. King	Unlisted	-	150,000	31 Jan 2009	0.20	30,000	1 Feb 2010

(i) Options granted vest in accordance with the Resolute Mining Limited Employee Share Option Plan following the review by the relevant supervisor of the key management personnel's performance. For details on the valuation of the options, including models and assumptions used, refer to Note 31.

(ii) During the year P. Venn acquired on the market 5,000 listed options over Resolute Mining Limited ordinary shares.

(iii) On 1 April 2010, 50,000 options were exercised at a price of $0.42 per option. These options were due to expire on 31 January 2014. The total fair value at grant date of the options exercised was $10,200. On 30 July 2010, a further 50,000 options were subsequently exercised at a price of $0.42 per option. In each instance of exercising options, one ordinary share was issued for each option exercised. There were no unpaid amounts relating to any ordinary shares acquired through the exercise of options.

(iv) On 29 August 2008, 150,000 options were exercised at a price of $1.42 per option. These options were due to expire on 21 December 2009. The total fair value at grant date of the options exercised was $102,915. One ordinary share was issued for each option exercised. There were no unpaid amounts relating to any ordinary shares acquired through the exercise of options. All remaining options lapsed.

(v) On 29 August 2008, 51,000 options were granted with a fair value of $0.64 per option. The total fair value of these options granted was $32,640. The exercise price of these options is $1.62. First exercise date of these options was 28 February 2009. These options have an expiry date and last exercise date of 29 August 2013. On 31 January 2009, 150,000 options were granted with an exercise price of $0.42 and expiry date of 31 January 2014. The fair value of the options at grant date was $0.20 per option. The total fair value of these options granted was $30,000. First exercise date of these options is 1 February 2010. These options have an expiry date and last exercise date of 31 January 2014.

EXPIRY & LAST EXERCISE DATE OF OPTIONS GRANTED DURING THE YEAR	EXERCISE PRICE OF OPTIONS GRANTED DURING THE YEAR $	EXERCISED DURING THE YEAR	LAPSED DURING THE YEAR	ACQUIRED DURING THE YEAR	BALANCE AT THE END OF THE YEAR	VESTED AND EXERCISABLE AT THE END OF THE YEAR No.	%	VALUE OF OPTIONS EXERCISED DURING THE YEAR $
-	-	-	-	-	26,761	-	-	-
-	-	-	-	-	133,333	-	-	-
-	-	-	-	-	133,333	-	-	-
-	-	-	-	-	67,554	-	-	-
14 Feb 2015	1.09	-	-	-	359,102	100,000	27.85	-
14 Feb 2015	1.09	-	-	-	359,102	100,000	27.85	-
-	-	-	-	5,000	5,000	5,000	100.00	-
14 Feb 2015	1.09	(50,000)	-	-	234,102	-	-	32,500
-	-	-	-	26,761	26,761	-	-	-
-	-	-	-	133,333	133,333	-	-	-
-	-	-	-	133,333	133,333	-	-	-
-	-	-	-	67,554	67,554	-	-	-
-	-	-	(75,000)	-	-	-	-	-
31 Jan 2014	0.42	-	-	-	225,000	25,000	11.11	-
-	-	(150,000)	(75,000)	-	-	-	-	19,500
(v)	(v)	-	-	-	225,000	25,000	11.11	-
31 Jan 2014	0.42	-	-	-	150,000	-	-	-

(vi) Pursuant to rights issues made on 31 December 2008, 28 January 2009 and 4 February 2009, the strike price reduced by 1 cent per option, which resulted in a less than $300 decrease in total fair value of options held by P. Venn and G. Fitzgerald (all other key management personnel: nil). There were no other changes in the terms of the options, including the class of the underlying equity instrument, time remaining until expiry, or any terms affecting the vesting or exercise rights of the options. The market price of Resolute Mining Limited shares at each of the modification dates was as follows:

MODIFICATION DATE	SHARE PRICE
4 February 2009	$0.48
28 January 2009	$0.42
31 December 2008	$0.50
5 November 2007	$1.88

(vii) The value of the lapsed options at the date of lapse was $101,032 for M. Christie and $70,087 for M. Turner.

(viii) These options were acquired through participation in a capital raising. The options have the same terms and conditions as the existing listed series (ASX:RSGO).

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for the year ended 30 June 2010

NOTE 34: KEY MANAGEMENT PERSONNEL (CONTINUED)

(b) Details of share holdings of key management personnel are as follows:

	BALANCE AT THE START OF THE YEAR	RECEIVED DURING THE YEAR ON THE EXERCISE OF OPTIONS	OTHER CHANGES DURING THE YEAR	BALANCE AT THE END OF THE YEAR
2010				
Directors				
P. Huston	401,421	-	-	401,421
P. Sullivan (i)	3,157,008	-	12,269	3,169,277
T. Ford (i)	14,208	-	12,269	26,477
H. Price (i)	18,638	-	6,134	24,772
Officers				
G. Fitzgerald	-	-	-	-
P. Venn (ii)	16,000	-	(8,000)	8,000
A. King (iii)	20,000	50,000	-	70,000
2009				
Directors				
P. Huston (iv)	361,279	-	40,142	401,421
P. Sullivan (i)	3,146,400	-	10,608	3,157,008
T. Ford (i)	3,600	-	10,608	14,208
H. Price (i)(iv)	12,000	-	6,638	18,638
Officers				
M. Turner (v)	-	-	-	-
G. Fitzgerald	-	-	-	-
M. Christie (v)	186,000	150,000	-	336,000
P. Venn	16,000	-	-	16,000
A. King	-	-	20,000	20,000

(i) These shares were issued by the company in lieu of interest owing on convertible notes held by the director.

(ii) These shares were acquired or sold at the prevailing market price; no amounts remain unpaid as at 30 June 2010.

(iii) These shares were acquired through the exercise of options.

(iv) These shares were acquired through participation in a rights issue.

(v) Balance at the end of the year refers to the date of termination.

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for the year ended 30 June 2010

NOTE 34: KEY MANAGEMENT PERSONNEL (CONTINUED)

(c) Details of convertibles note holdings of key management personnel are as follows:

	BALANCE AT THE START OF THE YEAR	ACQUIRED DURING THE YEAR	BALANCE AT THE END OF THE YEAR
2010			
Directors			
P. Huston	-	-	-
P. Sullivan	200,000	-	200,000
T. Ford	200,000	-	200,000
H. Price	100,000	-	100,000
Officers			
G. Fitzgerald	-	-	-
P. Venn	-	-	-
A. King	-	-	-
2009			
Directors			
P. Huston	-	-	-
P. Sullivan	-	200,000	200,000
T. Ford	-	200,000	200,000
H. Price	-	100,000	100,000
Officers			
M. Turner	-	-	-
G. Fitzgerald	-	-	-
M. Christie	-	-	-
P. Venn	-	-	-
A. King	-	-	-

These convertible notes were acquired through participation in a capital raising.

NOTE 35: OPERATING SEGMENTS

The Group has identified three operating segments based on the internal reports that are reviewed and used by the chief executive officer and his management team (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

The operating segments are indentified by management as being operating mine sites. Each of the mine sites are managed separately and they operate in different regulatory and economic environments.

The principal activities of each operating segment are gold mining and prospecting and exploration for minerals.

Information regarding the operations of each reportable segment is included below. Performance is measured based on ounces delivered and cost of production per ounce. Management believe that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within the gold mining industry.

The accounting policies used by the Group in reporting segments are the same as those used in the preparation of financial statements.

Inter-entity gold sales are recognised based on the prevailing spot price. The price is aimed to reflect what the segment would have achieved if it sold its gold to external parties at arm's length.

Income tax expense is calculated based on the segment operating net profit using a notional charge of the respective tax jurisdiction. No effect is given for taxable or deductible temporary differences.

The following items and associated assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

- Realised and unrealised treasury transactions, including derivative contract transactions;
- Finance costs - including adjustments on provisions due to discounting; and,
- Net gains/losses on disposal of available-for-sale investments.

NOTE 35: OPERATING SEGMENTS (CONTINUED)

2010	RAVENSWOOD (AUSTRALIA) $'000	GOLDEN PRIDE (TANZANIA) $'000	SYAMA (MALI) $'000	UNALLOCATED CORP/OTHER $'000 (c)	UNALLOCATED TREASURY $'000 (c)	TOTAL $'000
Revenue						
Gold sales at spot to external customers (a)	158,456	181,446	54,034	-	-	393,936
Total segment gold sales revenue	**158,456**	**181,446**	**54,034**	**-**	**-**	**393,936**
Cash costs	(101,081)	(86,617)	(46,441)	-	-	(234,139)
Depreciation and amortisation	(21,034)	(6,155)	(15,952)	-	-	(43,141)
Other operating costs (b)	(6,112)	(6,990)	(291)	(388)	-	(13,781)
Other corporate/admin costs (b)	(53)	-	-	(3,627)	-	(3,680)
Segment operating result before treasury, other income/(expenses) and tax	**30,176**	**81,684**	**(8,650)**	**(4,015)**	**-**	**99,195**
Finance costs	-	-	-	-	(11,220)	(11,220)
Other realised treasury	-	-	-	-	(51,257)	(51,257)
Segment operating result before unrealised treasury, other income/(expenses) and tax	**30,176**	**81,684**	**(8,650)**	**(4,015)**	**(62,477)**	**36,718**
Other income	38	9	-	9,297	294	9,638
Exploration expenditure	(1,586)	(2,415)	(2,995)	(2,284)	-	(9,280)
Other	-	-	-	(1,052)	-	(1,052)
Unrealised treasury	-	-	-	-	(75,976)	(75,976)
Income tax (expense)/benefit	(2,290)	(15,555)	-	1,226	-	(16,619)
Net profit/(loss) after tax	**26,338**	**63,723**	**(11,645)**	**3,172**	**(138,159)**	**(56,571)**
Reconciliation of total segment revenue to statement of comprehensive income:						
Total segment gold sales revenue to external customers						393,936
Realised loss on gold forward contracts						(59,084)
Amortisation of gold hedge reserve						7,632
Total revenue per statement of comprehensive income						**342,484**
Cash flow by segment, including receivables - gold bullion sales	**30,292**	**73,726**	**(49,711)**	**(5,898)**	**(33,360)**	**15,049**
Reconciliation of cash flow by segment to the cash flow statement:						
Movement in receivables - gold bullion sales						(9,405)
Movement in bank overdraft						(538)
Exchange rate adjustment						(43)
Movement in cash and cash equivalents per cash flow statement						**5,063**
Capital expenditure	18,160	3,407	67,303	8,936	-	97,806
Segment assets	121,117	79,131	380,726	31,572	89	612,635
Non-current assets based on their locations	100,183	30,195	327,349	19,051	-	476,778
Segment liabilities	26,983	24,685	40,929	6,373	230,625	329,595

Notes to the financial statements

for the year ended 30 June 2010

NOTE 35: OPERATING SEGMENTS (CONTINUED)

2009	RAVENSWOOD (AUSTRALIA)	GOLDEN PRIDE (TANZANIA)	SYAMA (MALI)	UNALLOCATED CORP/OTHER	UNALLOCATED TREASURY	TOTAL
	$'000	$'000	$'000	$'000 (c)	$'000 (c)	$'000
Revenue						
Gold sales at spot to external customers (a)	182,159	147,428	-	-	-	329,587
Total segment gold sales revenue	**182,159**	**147,428**	**-**	**-**	**-**	**329,587**
Cash costs	(115,919)	(83,283)	-	-	-	(199,202)
Depreciation and amortisation	(19,955)	(7,623)	-	-	-	(27,578)
Other operating costs (b)	(7,254)	(6,807)	(2,103)	-	-	(16,164)
Other corporate/admin costs (b)	-	-	-	(4,223)	-	(4,223)
Segment operating result before treasury, other income/(expenses) and tax	**39,031**	**49,715**	**(2,103)**	**(4,223)**	**-**	**82,420**
Finance costs	-	-	-	-	(4,069)	(4,069)
Other realised treasury	-	-	-	-	(34,036)	(34,036)
Segment operating result before unrealised treasury, other income/(expenses) and tax	**39,031**	**49,715**	**(2,103)**	**(4,223)**	**(38,105)**	**44,315**
Other income	-	-	-	11,496	425	11,921
Exploration expenditure	(849)	(4,046)	(3,223)	(3,425)	-	(11,543)
Asset impairment	(9,182)	(3,180)	-	(4,130)	-	(16,492)
Unrealised treasury	-	-	-	-	1,141	1,141
Income tax (expense)/benefit	(1,760)	-	-	3,094	-	1,334
Net profit/(loss) after tax	**27,240**	**42,489**	**(5,326)**	**2,812**	**(36,539)**	**30,676**
Reconciliation of total segment revenue to statement of comprehensive income:						
Total segment gold sales revenue to external customers						329,587
Realised loss on gold forward contracts						(35,859)
Amortisation of gold hedge reserve						5,985
Total revenue per statement of comprehensive income						**299,713**
Cash flow by segment, including receivables - gold bullion sales	43,949	37,987	(158,208)	(5,731)	62,436	(19,567)
Reconciliation of cash flow by segment to the cash flow statement:						
Movement in receivables - gold bullion sales						57
Movement in bank overdraft						(5,821)
Exchange rate adjustment						1,240
Movement in cash and cash equivalents per cash flow statement						**(24,091)**
Capital expenditure	30,867	15,381	156,230	20	-	202,498
Segment assets	119,944	81,111	422,169	9,392	6,457	639,073
Non-current assets based on their locations	102,711	43,008	371,201	8,747	-	525,667
Segment liabilities	32,121	21,097	39,363	2,864	240,322	335,767

NOTE 35: OPERATING SEGMENTS (CONTINUED)

(a) Revenue from external sales for each reportable segment is derived from several customers. Except for two particular customers, the other customers individually make up greater than 10% of the respective segments' sales revenue.

(b) Includes inter-segment revenue and expenditure.

(c) This information does not represent an operating segment as defined by AASB 8, however this information is analysed in this format by the Chief Operating Decision Makers, and forms part of the reconciliation of the results and positions of the operating segments to the financial statements.

NOTE 36: FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including gold price risk, diesel fuel price risk, currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks, where considered appropriate, to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments to manage certain risk exposures. Derivatives are used exclusively for managing financial risks, and not as trading or other speculative instruments.

Risk management is carried out by the Group's Financial Risk Management Committee under policies approved by the Board of Directors. The Financial Risk Management Committee identifies, evaluates and manages financial risks as deemed appropriate. The Board provides guidance for overall risk management, including guidance on specific areas, such as mitigating commodity price, foreign exchange, interest rate and credit risks, by using derivative financial instruments.

(a) Market risk

USE OF DERIVATIVE INSTRUMENTS TO ASSIST IN MANAGING GOLD PRICE RISK

The Group is exposed to movements in the gold price. As part of the risk management policy of the Group and in compliance with the conditions required by the Group's financiers, a variety of financial instruments (such as gold forward sales contracts, gold call options and gold put options) are used from time to time to reduce exposure to unpredictable fluctuations in the project life revenue streams. Within this context, the programs undertaken are structured with the objective of retaining as much upside to the gold price as possible, but in any event, by limiting derivative commitments to no more than 50% of the Group's gold reserves. The value of these financial instruments at any given point in time, will in times of volatile market conditions, show substantial variation over the short term. The facilities provided by the Group's various counterparties do not contain margin calls. The Group does not hedge account for these instruments as at balance date as noted below.

During the financial year, the Group delivered 114,423 ounces of gold into forward sales contracts at an average price of A$731 per ounce (2009: 79,288 ounces of gold at an average price of A$745 per ounce).

Details of the gold derivative contracts at year end are shown below. To calculate the Group's total gold derivative contracts in the table below, gold denominated in USD has been converted to an AUD equivalent using the year end USD/AUD spot rate of US$0.8520 (2009: US$0.8142).

Gold forwards and put options

	FORWARD SALES		PUT OPTIONS BOUGHT		TOTAL	
	OUNCES	SALES PRICE $/Ounce	OUNCES	STRIKE PRICE $/Ounce	Ounces	$/Ounce
2010						
AUD Denominated Contracts						
Maturity within 1 year	128,065	761	52,800	1,000	180,865	830
Between 1 and 2 years	27,015	726	57,200	1,000	84,215	912
Total	155,080	755	110,000	1,000	265,080	856

NOTE 36: FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

	FORWARD SALES		PUT OPTIONS BOUGHT		TOTAL	
	OUNCES	SALES PRICE $/Ounce	OUNCES	STRIKE PRICE $/Ounce	Ounces	$/Ounce
2009						
AUD Denominated Contracts						
Maturity within 1 year	77,361	726	-	-	77,361	726
Between 1 and 2 years	108,061	726	52,800	1,000	160,861	816
Between 2 and 3 years	27,015	726	57,200	1,000	84,215	912
Total	212,437	726	110,000	1,000	322,437	819
USD Denominated Contracts						
Maturity within 1 year	37,065	522	-	-	37,065	522
Total	37,065	522	-	-	37,065	522
Total (converted to AUD)						
Maturity within 1 year	114,427	698	-	-	114,427	698
Between 1 and 2 years	108,061	726	52,800	1,000	160,861	816
Between 2 and 3 years	27,015	726	57,200	1,000	84,215	912
Total	249,503	713	110,000	1,000	359,503	801

Gold call options sold

	OUNCES	STRIKE PRICE A$
2009		
Maturity within one year	10,000	1,300

There were no sold call option contracts outstanding as at 30 June 2010.

Movements in the fair value of these contracts are accounted for through the consolidated statement of comprehensive income. From 1 July 2007, no contracts satisfy the criteria for hedge accounting. As at 30 June 2007, 625,404 contracted ounces met the criteria for hedge accounting. As a result $43.4m was deferred in equity in the prior years. In accordance with accounting policy at Note 1(n) this amount was transferred to the consolidated statement of comprehensive income when the forecasted sales transaction occurred. There are no amounts remaining in reserves at 30 June 2010.

DIESEL FUEL PRICE RISK

The Group is exposed to movements in the diesel fuel price. The costs incurred purchasing diesel fuel for use by the Group's operations is significant. The Group's Financial Risk Management Committee continues to manage and monitor diesel fuel price risk. At present, the Group does not specifically hedge its exposure to diesel fuel price movements.

FOREIGN EXCHANGE CURRENCY RISK

The Group receives USD proceeds on the sale of some of its gold production and significant costs for the Syama Gold Project and the Golden Pride Project are denominated in both USD and the local currencies of those operations, and as such movements within these currencies expose the Group to exchange rate risk.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency. The risk can be measured by performing a sensitivity analysis that quantifies the impact of different assumed exchange rates on the Group's forecast cash flows.

The Group's Financial Risk Management Committee continues to manage and monitor foreign exchange currency risk. At present, the Group does not specifically hedge its exposure to foreign currency exchange rate movements.

Notes to the financial statements

for the year ended 30 June 2010

NOTE 36: FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

The Group's exposure to foreign exchange currency risk at the reporting date was as follows:

	UNITED STATES DOLLARS A$'000	AUSTRALIAN DOLLARS A$'000	TANZANIAN SHILLINGS A$'000	OTHER A$'000	NO FOREIGN CURRENCY RISK A$'000	TOTAL A$'000
2010						
Financial Assets						
Cash	3,540	987	1,725	15	11,992	18,259
Receivables	9,614	83	10,128	8	445	20,278
Available for sale financial assets	-	-	-	126	692	818
Financial derivative assets	-	-	-	-	990	990
	13,154	1,070	11,853	149	14,119	40,345
Financial Liabilities						
Payables	6,493	2,031	868	3,317	34,943	47,652
Interest bearing liabilities (i)	49,327	-	-	-	73,418	122,745
Financial derivative liabilities	-	-	-	-	113,101	113,101
Other financial liabilities	37	-	-	-	-	37
	55,857	2,031	868	3,317	221,462	283,535
2009						
Financial Assets						
Cash	2,033	1,314	775	15	8,564	12,701
Receivables	-	166	7,169	-	2,875	10,210
Available for sale financial assets	-	-	-	55	1,052	1,107
Financial derivative assets	-	-	-	-	6,457	6,457
	2,033	1,480	7,944	70	18,948	30,475
Financial Liabilities						
Payables	721	6,520	808	5,384	42,702	56,135
Interest bearing liabilities (i)	63,929	-	-	-	61,086	125,015
Financial derivative liabilities	18,847	-	-	-	96,460	115,307
Other financial liabilities	193	-	-	-	-	193
	83,690	6,520	808	5,384	200,248	296,650

(i) Several of the intercompany balances between Group entities create foreign exchange differences which are not eliminated from the Group's consolidated statement of comprehensive income. Those intercompany balances are not shown here as they are eliminated from the Group's consolidated statement of financial position. Refer to the table below for the significant intercompany balances outstanding at 30 June 2010.

NOTE 36: FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

2010	FACILITY CURRENCY DENOMINATION	FUNCTIONAL CURRENCY OF THE BORROWER	AUD EQUIVALENT 2010 $'000	AUD EQUIVALENT 2009 $'000
Resolute Mining Limted (beneficiary)/Resolute (Somisy) Limited	AUD	Central African Franc	410,499	364,417
Resolute (Tanzania) Limited (beneficiary)/Resolute Pty Ltd	USD	AUD	68,541	26,100
			479,040	390,517

(b) Interest rate risk

The Group's main interest rate risk arises from long term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. For the 2010 and 2009 financial years, the majority of the Group's borrowings have been denominated in both USD and AUD.

The Group constantly analyses its interest rate exposure. Within this analysis consideration is given to the potential renewals of existing positions, alternative financing, alternative hedging positions and the mix of fixed and variable interest rates. There is no intention at this stage to enter into any interest rate swaps.

The following tables summarises the financial assets and liabilities of the Group, together with effective interest rates as at balance date.

	FLOATING INTEREST RATE	FIXED INTEREST RATE MATURING IN			NON INTEREST BEARING	TOTAL	AVERAGE INTEREST RATE	
		< 1 YEAR	1 TO 5 YEARS	> 5 YEARS			FLOATING	FIXED
	$'000	$'000	$'000	$'000	$'000	$'000		
2010								
Financial Assets								
Cash	18,259	-	-	-	-	18,259	1.5%	-
Receivables	-	-	-	-	20,278	20,278	-	-
Available for sale financial assets	-	-	-	-	818	818	-	-
Financial derivative assets	-	-	-	-	990	990	-	-
	18,259	-	-	-	22,086	40,345		
Financial Liabilities								
Payables	-	-	-	-	47,652	47,652	-	-
Interest bearing liabilities	37,455	13,123	72,167	-	-	122,745	5.4%	15.2%
Financial derivative liabilities	-	92,075	21,026	-	-	113,101	-	9.9%
Other financial liabilities	-	-	-	-	37	37	-	-
	37,455	105,198	93,193	-	47,689	283,535		
2009								
Financial Assets								
Cash	12,701	-	-	-	-	12,701	0.3%	-
Receivables	-	-	-	-	10,210	10,210	-	-
Available for sale financial assets	-	-	-	-	1,107	1,107	-	-
Financial derivative assets	-	-	-	-	6,457	6,457	-	-
	12,701	-	-	-	17,774	30,475		
Financial Liabilities								
Payables	-	-	-	-	56,135	56,135	-	-
Interest bearing liabilities	52,632	43,623	28,760	-	-	125,015	2.1%	13.7%
Financial derivative liabilities	-	52,949	62,358	-	-	115,307	-	9.2%
Other financial liabilities	-	-	-	-	193	193	-	-
	52,632	96,572	91,118	-	56,328	296,650		

NOTE 36: FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Credit risk exposure

The group's exposure to credit risk arises from potential default of the counterparty, with a maximum exposure equal to the carrying amount of the financial assets as well as US$3.1m in relation to financial guarantees granted (see note 20(a)).

Credit risk is managed on a Group basis. Credit risk predominately arises from cash, cash equivalents, derivative financial instruments, deposits with banks and financial institutions and receivables from statutory authorities. For derivative financial instruments, management mitigates some credit risk by using a number of different hedging counterparties.

Credit risk further arises in relation to financial guarantees given to certain parties. Such guarantees are only provided in exceptional circumstances and are subject to Financial Risk Management Committee approval. Refer to Note 17 (a) and (b) and Note 20 for information on guarantees provided.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

	CONSOLIDATED	
	10 $'000	09 $'000
Cash at bank & short term deposits		
Counterparties with external credit ratings		
A+	13,562	10,448
BBB	4,376	1,958
Counterparties without external credit ratings		
No rating	321	295
Total cash at bank & short term deposits	**18,259**	**12,701**
Trade receivables		
Counterparties with external credit ratings		
AA+	1,132	1,128
B-	579	702
*Counterparties without external credit ratings **		
Group 1	2,249	2,725
Group 2	11,500	8,737
Total trade receivables	**15,460**	**13,292**
Financial derivative assets		
AA-	990	6,457
Total financial derivative assets	**990**	**6,457**

* Group 1 refers to existing counterparties with no defaults in the past. Group 2 refers to existing counterparties where difficulty in recovering these debts in the past has been experienced.

NOTE 36: FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, or having the availability of funding through an adequate amount of undrawn committed credit facilities.

As at 30 June 2010, the Group had $4.7m (AUD equivalent) in unused bank overdraft facilities (2009: $5.1m (AUD equivalent)).

Refer to Note 1(a) for the discussion on future cash flow requirements.

The remaining contractual maturities of the Group's financial liabilities, including future finance costs, are:

LIQUIDITY ANALYSIS

	CONSOLIDATED	
	10 $'000	09 $'000
Due within 1 to 3 months	82,864	73,499
Due within 4 months to one year	62,149	56,865
Due between one and five years	177,288	206,987
Total contractual repayments	322,301	337,351

(e) Instruments recognised at amounts other than fair value

Except for the liability portion of the convertible notes, the fair value of all the Group's financial instruments recognised in the financial statements approximates or equals their carrying amounts.

The fair value of the liability portion of the convertible notes is estimated using the market interest rate available to the issuer for an instrument with identical terms but without the conversion option.

(f) Fair values for instruments recognised at fair value

The Group uses various methods in estimating the fair value of a financial instrument. The methods comprise:

- Level 1 – the fair value is calculated using quoted prices in active markets.
- Level 2 – the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
- Level 3 – the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

NOTE 36: FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

The fair value of the financial instruments as well as the methods used to estimate the fair value are summarised in the table below.

	AS AT 30 JUNE 2010				AS AT 30 JUNE 2009			
	QUOTED MARKET PRICE (LEVEL 1)	VALUATION TECHNIQUE - MARKET OBSERVABLE INPUTS (LEVEL 2)	VALUATION TECHNIQUE - NON MARKET OBSERVABLE INPUTS (LEVEL 3)	TOTAL	QUOTED MARKET PRICE (LEVEL 1)	VALUATION TECHNIQUE - MARKET OBSERVABLE INPUTS (LEVEL 2)	VALUATION TECHNIQUE - NON MARKET OBSERVABLE INPUTS (LEVEL 3)	TOTAL
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial Assets								
Available for sale financial assets	818	-	-	818	1,107	-	-	1,107
Financial derivative assets	-	990	-	990	-	6,457	-	6,457
	818	990	-	1,808	1,107	6,457	-	7,564
Financial Liabilities								
Financial derivative liabilities	-	113,101	-	113,101	-	115,307	-	115,307
	-	113,101	-	113,101	-	115,307	-	115,307

Quoted market price represents the fair value determined based on quoted prices on active markets as at the reporting date without any deduction for transaction costs. The fair value of the listed equity investments are based on quoted market prices.

For financial instruments not quoted in active markets, the Group uses a valuation technique such as present value techniques, comparison to similar instruments for which market observable prices exist and other relevant models used by market participants. These valuation techniques use both observable and unobservable market inputs.

Financial instruments that use valuation techniques with only observable market inputs or unobservable inputs that are not significant to the overall valuation include forward commodity.

The fair value of unlisted debt and equity securities, as well as other investments that do not have an active market, are based on valuation techniques using market data that is not observable. Where the impact of credit risk on the fair value of a derivative is significant, and the inputs on credit risk are not observable, the derivative would be classified as based on non observable market inputs (Level 3). Certain long dated forward commodity contracts where there are no observable forward prices in the market are classified as Level 2 as the unobservable inputs are not considered significant to the overall value of the contract.

(g) Transfer between categories

There were no transfers between Level 1 and Level 2 during the year.

NOTE 36: FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

(h) Sensitivity analysis

The following table summarises the post tax effect of the sensitivity of the Group's financial assets and financial liabilities on profit and equity at balance date to interest rate risk, foreign exchange currency risk and gold price risk.

		INTEREST RATE RISK			
		-1%		+1%	
	CARRYING AMOUNT	PROFIT	EQUITY	PROFIT	EQUITY
	$'000	$'000	$'000	$'000	$'000
Consolidated					
30 JUNE 2010					
Financial Assets					
Cash and cash equivalents	18,259	(128)	(128)	128	128
Trade and other receivables	20,278	-	-	-	-
Available for sale financial assets	818	-	-	-	-
Financial derivative assets	990	77	77	(70)	(70)
Financial Liabilities					
Payables	47,652	-	-	-	-
Interest bearing liabilities	122,745	275	275	(275)	(275)
Financial derivative liabilities	113,101	451	451	(445)	(445)
Other financial liabilities	37	-	-	-	-
Total increase/(decrease)		675	675	(662)	(662)
Consolidated					
30 June 2009					
Financial Assets					
Cash and cash equivalents	12,701	(89)	(89)	89	89
Trade and other receivables	10,210	-	-	-	-
Available for sale financial assets	1,107	-	-	-	-
Financial derivative assets	6,457	-	-	-	-
Financial Liabilities					
Payables	56,135	-	-	-	-
Interest bearing liabilities	125,015	378	378	(378)	(378)
Financial derivative liabilities	115,307	-	-	-	-
Other financial liabilities	193	-	-	-	-
Total increase/(decrease)		289	289	(289)	(289)

FOREIGN EXCHANGE RISK				GOLD PRICE RISK			
-10%		+10%		-10%		+10%	
PROFIT	EQUITY	PROFIT	EQUITY	PROFIT	EQUITY	PROFIT	EQUITY
$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
621	621	(421)	(421)	-	-	-	-
1,489	1,489	(1,217)	(1,217)				
(9)	(9)	9	9	-	-	-	-
(341)	(341)	537	537	611	611	(316)	(316)
(571)	(571)	496	496	-	-	-	-
(38,933)	(38,933)	31,854	31,854	-	-	-	-
(17,649)	(17,649)	14,440	14,440	15,877	15,877	(15,877)	(15,877)
-	-	-	-	-	-	-	-
(55,393)	(55,393)	45,698	45,698	16,488	16,488	(16,193)	(16,193)
295	295	(265)	(265)	-	-	-	-
1,676	1,676	(1,035)	(1,035)	-	-	-	-
4	4	(4)	(4)	-	-	-	-
(1,665)	(1,665)	2,020	2,020	2,261	2,261	(1,530)	(1,530)
(523)	(523)	817	817	-	-	-	-
(33,321)	(33,321)	27,263	27,263	-	-	-	-
(20,665)	(20,665)	16,743	16,743	20,063	20,063	(20,235)	(20,235)
-	-	-	-	-	-	-	-
(54,199)	(54,199)	45,539	45,539	22,324	22,324	(21,765)	(21,765)

Notes to the financial statements

for the year ended 30 June 2010

NOTE 37: SALE OF SUBSIDIARIES

During the year the Group sold a number of its Ghanaian subsidiaries to Viking Ashanti Limited. Consideration was received in the form of 23 million ordinary shares in Viking Ashanti (33.25% of the ordinary share capital) and cash.

Assets and liabilities of disposed entities:

The major classes of assets and liabilities are as follows:

	ASSOCIATED GOLD FIELDS PTY LTD $'000	GHANA MINING INVESTMENTS PTY LTD $'000	KIWI INTERNATIONAL RESOURCES PTY LTD $'000	OBENEMASE GOLD MINES LTD $'000	RESOLUTE AMANSIE LIMITED $'000	KIWI GOLDFIELDS LIMITED $'000	ABORE MINING COMPANY LIMITED $'000	TOTAL $'000
Assets								
Trade and other receivables	-	-	-	12	890	1	-	903
Inventories	-	-	-	-	26	-	-	26
Property, plant and equipment	-	-	-	-	35	-	-	35
Other	-	-	-	-	66	-	-	66
	-	-	-	12	1,017	1	-	1,030
Liabilities								
Trade and other payables	-	-	-	(37)	(85)	-	(2)	(124)
	-	-	-	(37)	(85)	-	(2)	(124)
Net (liabilities)/assets attributable to subsidiaries disposed of	-	-	-	(25)	932	1	(2)	906

Gain on disposal of subsidiary

	10 $'000
Consideration received:	
Shares in Viking Ashanti Limited	6,000
Cash	284
Total consideration	6,284
Less net assets of entities disposed	(906)
Add foreign currency translation disposed of	1,886
Gain on disposal of subsidiaries before income tax	7,264
Other costs incidental to sale	(56)
Income tax expense	-
Gain on disposal of subsidiaries after income tax	7,208
Net cash inflow on disposal:	
Cash and cash equivalents consideration	284
Less cash and cash equivalents balance disposed of:	-
Reflected in the consolidated statement of cash flows	284

NOTE 38: SUBSEQUENT EVENTS

On 20 September 2010, Resolute Mining Limited entered into an agreement to raise $40.0 million in new equity. The net proceeds from this raising will primarily be applied to partially fund the close out of the Group's gold derivative contracts with the balance used for working capital and general corporate purposes.

Resolute Mining Limited has received approval from its derivative contract counterparties, Barclays Bank PLC and Investec Bank (Australia) Limited, to neutralise, through forward gold purchases, the portion of its gold derivative contracts not closed out with the proceeds from the equity raising. As a result, Resolute Mining Limited will become effectively unhedged and fully exposed to gold price movements.

The equity proceeds were raised through a combination of an institutional placement and exercise of existing listed options (ASX:RSGO). A total of approximately 11.8 million shares were issued at $1.24 per share under the placement and approximately 42.4 million options were exercised at a price of $0.60 per option. Funds are expected to be received by 5 October 2010. Morgan Stanley has underwritten this capital raising, which includes a right to terminate the capital raising if the S&P/ASX 200 Index falls at any time by an amount that is 10% or more of the level of that index at the close of trading on 17 September 2010.

NOTE 39: PARENT ENTITY INFORMATION

Information relating to Resolute Mining Limited:

	CONSOLIDATED	
	10	09
	$'000	$'000
Current Assets	2,422	654
Total Assets	434,803	455,224
Current Liabilities	17,770	69,719
Total Liabilities	105,315	157,511
Issued Capital	237,083	209,680
Retained Earnings	70,114	78,978
Convertible Note Equity Reserve	11,646	3,492
Option Equity Reserve	8,554	4,064
Share Based Payments Reserve	2,021	1,499
Reserves-Unrealised Gain/Loss	70	-
Total Shareholders Equity	329,488	297,713
Loss of Resolute Mining Limited	(8,864)	(14,056)
Total comprehensive expense of Resolute Mining Limited	(8,794)	(13,789)

Refer to Note 32 for the contingent liabilities and commitments of Resolute Mining Limited.

Directors' declaration

In accordance with a resolution of the directors of Resolute Mining Limited, I state that:

In the opinion of the directors:

(a) the financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of its performance for the year ended on that date; and,

  (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001;*

(b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 1(a);

(c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and,

(d) this declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ending 30 June 2010.

On behalf of the Board

P.R. Sullivan
Director

Perth, Western Australia
24 September 2010

Independent audit report

to the members of Resolute Mining Limited

■ **The Ernst & Young Building**
11 Mounts Bay Road
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Australia

GPO Box M939
Perth WA 6843

■ Tel 61 8 9429 2222
Fax 61 8 9429 2436

Independent audit report to the members of Resolute Mining Limited

Report on the Financial Report

We have audited the accompanying financial report of Resolute Mining Limited, which comprises the statement of financial position as at 30 June 2010, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1 (a), the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit we have met the independence requirements of the Corporations Act 2001. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Independent audit report

to the members of Resolute Mining Limited

AUDITOR'S OPINION

In our opinion:

1. the financial report of Resolute Mining Limited is in accordance with the Corporations Act 2001, including:
   (i) giving a true and fair view of the consolidated entity's financial position at 30 June 2010 and of its performance for the year ended on that date; and
   (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
2. the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

REPORT ON THE REMUNERATION REPORT

We have audited the Remuneration Report included in pages 37 to 44 of the directors' report for the year ended 30 June 2010. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

AUDITOR'S OPINION

In our opinion the Remuneration Report of Resolute Mining Limited for the year ended 30 June 2010, complies with section 300A of the Corporations Act 2001.

Ernst & Young

Ernst & Young

Gavin Buckingham

Gavin A Buckingham
Partner
Perth
24 September 2010

GB:MB:RESOLUTE:176 Auditor's Opinion

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Section B – Historical Financial Information

3. 2009 Audit Report

The Audit Report for the year ended 30 June 2009 from Resolute Mining Limited's 2009 Annual Report and Accounts have been reproduced as pages 270 to 271 of this document.

ERNST & YOUNG

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Perth WA 6000
Australia

GPO Box M939
Perth WA 6843

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RESOLUTE MINING LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Resolute Mining Limited, which comprises the balance sheet as at 30 June 2009 and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1(a), the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit we have met the independence requirements of the Corporations Act 2001. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

GB:MB:RESOLUTE:163

Auditor's Opinion

In our opinion:

1. the financial report of Resolute Mining Limited is in accordance with the Corporations Act 2001, including:
   (i) giving a true and fair view of the financial position of Resolute Mining Limited and the consolidated entity at 30 June 2009 and of their performance for the year ended on that date; and
   (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
2. the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Report on the Remuneration Report

We have audited the Remuneration Report included on pages 45 to 50 of the directors' report for the year ended 30 June 2009. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the Remuneration Report of Resolute Mining Limited for the year ended 30 June 2009 complies with section 300A of the Corporations Act 2001.

Ernst & Young

Ernst & Young

Gavin Buckingham

Gavin A Buckingham
Partner

Perth, 25 September 2009

GB:MB:RESOLUTE:163

ANNEX

INFORMATION ON RESOLUTE MINING LIMITED

Section C – Resolute group reserves and resources at 30 June 2011

TABLE 1 RESOLUTE GROUP RESERVES AND RESOURCES AT 30 JUNE 2011

Gold Reserves (includes stockpiles)	Project Tonnes	Gold grade (g/t)	Project Contained Ounces Gold	Resolute Group Share %	Resolute Group Share ounces
RESERVES					
Reserves (Proved)					
Australia					
Mt Wright (insitu) [2]	5,180,000	2.8	466,000	100%	466,000
Sarsfield (insitu) [3]	20,270,000	0.9	604,000	100%	604,000
Mali					
Syama (insitu)	15,806,000	3.0	1,525,000	80%	1,220,000
Stockpiles	573,000	2.6	48,000	80%	38,000
A21 (insitu)	724,000	2.8	65,000	80%	52,000
Finkolo-Etruscan JV (insitu)	1,037,000	3.3	109,000	51%	56,000
Tanzania					
Golden Pride (insitu)	1,880,000	2.0	121,000	100%	121,000
Stockpiles	380,000	1.3	16,000	100%	16,000
Total Proved	**45,850,000**	**2.0**	**2,954,000**		**2,573,000**
Reserves (Probable)					
Australia					
Mt Wright (insitu) [2]	830,000	2.0	53,000	100%	53,000
Sarsfield (insitu) [3]	15,860,000	0.8	428,000	100%	428,000
Stockpiles (Sarsfield) [3]	250,000	0.6	1,000	100%	1,000
Mali					
Syama (insitu)	15,885,000	2.7	1,379,000	80%	1,103,000
Stockpiles	1,432,000	1.8	83,000	80%	66,000
A21 (insitu)	1,442,000	2.7	125,000	80%	100,000
Finkolo-Etruscan JV (insitu)	1,381,000	2.9	127,000	51%	65,000
Tanzania					
Golden Pride (insitu)	940,000	2.0	60,000	100%	60,000
Stockpiles	1,100,000	0.7	25,000	100%	25,000
Total (Probable)	**39,120,000**	**1.8**	**2,281,000**		**1,901,000**
Total Reserves (Proved and Probable)	**84,970,000**	**1.9**	**5,235,000**		**4,474,000**

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TABLE 1 (continued) RESOLUTE GROUP RESERVES AND RESOURCES 30 JUNE 2011

Gold Resources [1] (includes stockpiles)	Project Tonnes	Gold grade (g/t)	Project Contained Ounces Gold	Resolute Group Share %	Resolute Group Share ounces
RESOURCES [1]					
Resources (Measured)					
Australia					
Mt Wright (insitu) [2]	0	0.0	0		
Sarsfield (insitu) [3]	2,030,000	0.8	52,000	100%	52,000
Mali					
Syama (insitu)	2,630,000	3.0	254,000	80%	203,000
A21 (insitu)	430,000	2.1	29,000	80%	23,000
Finkolo-Etruscan JV (insitu)	1,300,000	2.7	113,000	60%	68,000
Tanzania					
Golden Pride (insitu)	3,580,000	1.9	219,000	100%	219,000
Total (Measured)	**9,970,000**	**2.1**	**667,000**		**565,000**
Resources (Indicated)					
Australia					
Mt Wright (insitu) [2]	780,000	2.6	65,000	100%	65,000
Sarsfield (insitu) [3]	5,360,000	0.7	121,000	100%	121,000
Mali					
Syama (insitu)	7,414,000	2.7	644,000	80%	515,000
Stockpiles	3,360,000	1.4	151,000	80%	121,000
A21 (insitu)	1,764,000	2.0	113,000	80%	90,000
Alpha,Syama Ext & Tellem (insitu)	3,203,000	2.2	224,000	80%	179,000
Finkolo-Etruscan JV (insitu)	3,100,000	2.6	259,000	60%	155,000
Tanzania					
Golden Pride (insitu)	8,210,000	1.6	422,000	100%	422,000
Golden Pride (stockpiled)	1,100,000	0.7	25,000	100%	25,000
Nyakafuru	7,700,000	2.2	545,000	100%	545,000
Total (Indicated)	**41,991,000**	**1.9**	**2,569,000**		**2,238,000**
Total Measured and Indicated	**51,961,000**	**1.9**	**3,236,000**		**2,803,000**

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TABLE 1 (continued) RESOLUTE GROUP RESERVES AND RESOURCES 30 JUNE 2011

Gold Resources [1] (includes stockpiles)	Project Tonnes	Gold grade (g/t)	Project Contained Ounces Gold	Resolute Group Share %	Resolute Group Share ounces
Resources (Inferred)					
Australia					
Mt Wright (insitu) [2]	470,000	2.6	39,000	100%	39,000
Sarsfield (insitu) [3]	7,850,000	0.8	202,000	100%	202,000
Welcome Breccia (insitu)	2,040,000	3.2	210,000	87%	180,000
Mali					
Syama (insitu)	3,800,000	2.4	293,000	80%	234,400
A21 (insitu)	3,300,000	1.8	191,000	80%	153,000
Alpha, Syama Ext & Tellem (insitu)	2,619,000	2.4	204,000	80%	163,000
Finkolo-Etruscan JV (insitu)	3,100,000	2.2	219,000	60%	131,400
Tanzania					
Golden Pride (insitu)	11,800,000	1.7	645,000	100%	645,000
Nyakafuru JV	11,700,000	1.4	527,000	75%	393,000
Total (Inferred)	**46,679,000**	**1.7**	**2,530,000**		**2,141,000**
Total Resources	**96,640,000**	**1.8**	**5,766,000**		**4,944,000**

Notes:
1) Mineral resources are exclusive of the Reserves - differences may occur due to rounding;
2) All Resources and Reserves are reported above 1 g/t cut-off except Sarsfield above 0.5 g/t cut off and;
3) Mt Wright Underground Reserves and Resources reported above 1.8 g/t cut off.

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Competent Person's Statement:

The information in this report that relates to the Mineral Resources and Ore Reserves is based on information compiled by Mr Richard Bray who is a Registered Professional Geologist with the Australian Institute of Geoscientists and Mr Iain Wearing a member of The Australian Institute of Mining and Metallurgy. Mr Richard Bray and Mr Iain Wearing both have more than 5 years experience relevant to the styles of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as a Competent Person, as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Richard Bray and Mr Iain Wearing are full time employees of Resolute Mining Ltd and have consented to the inclusion of the matters in this report based on their information in the form and context in which it appears.

About Resolute:

Resolute is an unhedged gold miner with three operating mines in Africa and Australia. The Company is the second largest gold producer by volume listed on the ASX. Resolute is targeting an increase in production from its flagship Syama project in Mali to 250,000oz of gold a year after an extended ramp-up and commissioning period. Resolute is currently investigating a number of opportunities to add value by increasing gold production and lowering operating costs at Syama and its Ravenswood operations in Queensland. The Company controls an extensive footprint along the highly prospective Syama Shear and Greenstone Belts in Mali and Cote d'Ivoire. Resolute has also identified a number of highly promising exploration targets at its Ravenswood operations and holds a number of exploration projects in Tanzania surrounding its Golden Pride mine.

ANNEX
INFORMATION ON RESOLUTE MINING LIMITED
Section D – Risk Factors

Market Risks

Commodity market price fluctuations could adversely affect the profitability of operations

Resolute's revenues are derived from the sale of gold, the market price of which can fluctuate widely. These fluctuations are caused by numerous factors beyond Resolute's control, including:

- speculative positions taken by investors or traders in gold;
- changes in the demand for gold as an investment;
- changes in the demand for gold used in jewellery and for other industrial uses, including as a result of prevailing economic conditions;
- financial market expectations regarding the rate of inflation;
- strength of the US dollar (the currency in which the gold price trades internationally) relative to other currencies;
- changes in interest rates;
- actual or expected sales or purchases of gold by central banks and the International Monetary Fund;
- gold hedging and de-hedging by gold producers;
- global or regional political or economic events; and
- the cost of gold production in major gold producing countries.

The price of gold is often subject to sharp, short-term changes resulting from speculative activities. While the overall supply of and demand for gold can affect its market price, because of the considerable size of above-ground stocks of the metal in comparison to other commodities, these factors typically do not affect the gold price in the same manner or degree that the supply of and demand for other commodities tends to affect their market price. In addition, the recent shift in gold demand from physical demand to investment and speculative demand may exacerbate the volatility of gold prices.

A sustained period of significant gold price volatility may adversely affect Resolute's ability to evaluate the feasibility of undertaking new capital projects or continuing existing operations or to make other long-term strategic decisions.

If revenue from gold sales falls below the cost of production for an extended period, Resolute may experience losses and be forced to curtail or suspend some or all of its capital projects or existing operations, particularly those operations having operating costs that are flexible to such short-to medium-term curtailment or closure.

Use of hedging instruments

Resolute is an unhedged mining company. As such, it is exposed to movements in the gold price. As part of the risk management policy of Resolute and in compliance with the conditions required by Resolute's financiers, a variety of financial instruments (such as gold forward sales contracts, gold call options and gold put options) may be used from time to time to reduce exposure to unpredictable fluctuations in the project life revenue streams. As of 30 June 2011, Resolute holds no forward sale contracts and 57,000 oz of put options. As such, Resolute is largely exposed to the risk that the market price of gold will decrease, which could lead to reduced revenues.

Fuel costs

The cost of diesel fuel forms a significant proportion of Resolute's operating costs. The price of diesel fuel has fluctuated widely in recent years and may continue to fluctuate significantly in the future. Fluctuations in diesel prices and, in particular, a material increase in the price of diesel fuel, may have a material adverse effect on Resolute's business, financial condition, results of operations and cashflows.

Global economic conditions

Resolute's operations and performance depend significantly on worldwide economic conditions. During 2009, following the global financial crisis that had a severe negative impact upon banking systems, financial institutions and financial and credit markets, general economic indicators continued to deteriorate, including declining consumer sentiment and business confidence, increased unemployment, reduced levels of capital expenditure, ongoing disruption in financial and credit markets and uncertainty regarding corporate earnings.

A continuation of the global economic downturn may have follow-on effects for Resolute's business. For example:

- the insolvency of key suppliers could result in a supply chain break-down;
- the failure or potential failure of financial institutions may negatively impact Resolute's results of operations and financial condition; or
- the reduced availability of credit may make it more difficult to obtain, or may increase the cost of obtaining, finance for operations, should the need to do so arise.

In addition, uncertainty regarding global economic conditions may also increase the volatility or negatively impact the market value of Resolute's securities.

Foreign exchange fluctuations could have a material adverse effect on operational results and financial condition

Gold is principally a US dollar priced commodity, and most of Resolute's revenues are realised in, or linked to, US dollars, while significant costs are incurred in the local currency where the relevant operation is located. The weakening of the US dollar, without a corresponding increase in the US dollar price of gold against these local currencies, results in lower revenues and higher production costs in US dollar terms. Conversely, the strengthening of the US dollar, without a corresponding decrease in the US dollar price of gold against these local currencies, yields significantly higher revenues and lower production costs in US dollar terms. Exchange rate movements may therefore have a material effect on Resolute's operating results.

Interest rate risk

Resolute's main interest rate risk arises from long term borrowings. Borrowings issued at variable rates expose it to cash flow interest rate risk. For the 2011 and 2010 financial years, the majority of the Resolute group's borrowings have been denominated in both US Dollars and Australian Dollars.

Risks relating to gold mining generally

Exploration risk

Mineral exploration, project development and mining by their nature contain elements of significant risk. Ultimate and continuous success of these activities is dependent on many factors such as:

- the discovery and/or acquisition of economically recoverable ore resources;
- successful conclusions to bankable feasibility studies;
- access to adequate capital for project development;
- design and construction of efficient mining and processing facilities within capital expenditure budgets;
- securing and maintaining title to tenements;
- obtaining consents and approvals necessary for the conduct of exploration and mining;
- access to competent operational management and prudent financial administration, including the availability and reliability of appropriately skilled and experienced employees, contractors and consultants; and
- adverse weather conditions over a prolonged period can adversely affect exploration and mining operations and the timing of revenues.

Whether or not income will result from development of tenements depends on the successful establishment of mining operations. Factors including costs, actual mineralisation, consistency and reliability of ore grades and commodity prices affect successful project development and mining operations.

Resource and reserve estimates

Resource and reserve estimates are expressions of judgement based on knowledge, experience and industry practice. Estimates that are valid when made may change significantly when new information becomes available through drilling, sampling and similar examinations.

In addition, resource and reserve estimates are necessarily imprecise and depend to some extent on interpretations, which may prove to be inaccurate. Should Resolute encounter mineralisations or formations different from those predicted, resource estimates may have to be adjusted and mining plans may have to be altered in a way which could adversely affect Resolute's operations.

Competition for new projects

Resolute's ability to obtain desirable mineral exploration projects in the future may be adversely affected by competition from other exploration companies.

Resolute competes with other mining companies in connection with the search for and acquisition of properties producing or possessing the potential to produce gold. Existing or future competition in the mining industry could materially and adversely affect Resolute's prospects for mineral exploration and success in the future.

Operational risk

Gold mining is susceptible to numerous events that may have an adverse impact on a mining business, its ability to produce gold and meet production targets. These events include, but are not limited to:

- environmental hazards, including discharge of metals, pollutants or hazardous chemicals;
- industrial accidents;
- underground fires;
- labour disputes;
- activities of illegal and artisanal miners;
- mechanical breakdowns;
- electrical power interruptions;
- encountering unexpected geological formations;
- unanticipated ground conditions;
- ingresses of water;
- process water shortages;
- unanticipated increases in gold lock-up and inventory levels at heap-leach operations;
- fall-of-ground accidents in underground operations;
- failure of mining pit slopes, heap-leach facilities, water dams, waste stockpiles and tailings dam walls;
- legal and regulatory restrictions and changes to such restrictions;
- safety-related stoppages;
- seismic activity; and
- other natural phenomena, such as floods, droughts or inclement weather conditions, potentially exacerbated by climate change.

Seismic activity is of particular concern in underground mining operations.

Seismic activity may also cause the loss of mining equipment, damage to, or destruction of, mineral properties or production facilities, monetary losses, environmental damage and potential legal liabilities. As a result, these events may have a material adverse effect on Resolute's results of operations and financial condition.

Metallurgy

Metal and/or mineral recoveries are dependent upon the metallurgical process, and by its nature contain elements of significant risk such as:

- identifying a metallurgical process through testwork to produce a saleable metal and/or concentrate;
- developing an economic process route to produce a metal and/or concentrate; and
- changes in mineralogy in the ore deposit can result in inconsistent metal recovery, affecting the economic viability of the project.

Supply chain disruptions

Resolute's operations and development projects could be adversely affected by shortages of, as well as lead times to deliver, strategic spares, critical consumables, mining equipment and metallurgical plant. In the past, gold mining companies have experienced shortages in critical consumables, particularly as production capacity in the global mining industry has expanded in response to increased demand for commodities. Shortages of strategic spares, critical consumables, mining equipment or metallurgical plant, which could occur in the future, could result in production delays and production shortfalls, and increases in prices result in an increase in both operating costs and the capital expenditure to maintain and develop mining operations.

Gold mining companies, individually, have limited influence over manufacturers and suppliers of these items. In certain cases there are only limited suppliers for certain strategic spares, critical consumables, mining equipment or metallurgical plant who command a superior bargaining position.

If Resolute experiences shortages, or increased lead times in delivery of strategic spares, critical consumables, mining equipment or processing plant, its results of operations and financial condition could be adversely affected.

Insurance risk

Resolute may become subject to liability for pollution, occupational illnesses or other hazards against which it has not insured, cannot insure or has insufficiently insured, including those in respect of past mining activities.

Should Resolute suffer a major loss, future earnings could be affected. In addition, insurance may not continue to be available at economically acceptable premiums. As a result, in the future, Resolute's insurance coverage may not cover the extent of claims against the Resolute group, including, but not limited to, claims for environmental or industrial accidents, occupational illnesses or pollution.

General environmental risks

Mining is an industry which has become subject to increasing environmental responsibility and liability. The potential liability is an ever-present risk. Resolute may become subject to liability for pollution or other hazards against which it has not insured or cannot insure, including those in respect of past mining or other activities for which it has not been responsible.

Health and safety regulations

Gold mining operations are subject to a variety of industry-specific health and safety laws and regulations depending upon the jurisdiction in which they are located. These laws and regulations are designed to improve and to protect the safety and health of employees.

From time to time, new health and safety laws and regulations, or amendments to existing health and safety laws and regulations, are introduced in the jurisdictions in which Resolute operates. Should compliance with new standards require a material increase in expenditure or material interruptions to Resolute's operations or production, including as a result of any temporary failure to comply with applicable regulations, Resolute's results of operations and its financial condition could be adversely affected.

In addition, Resolute's reputation as a responsible company and employer could be damaged by any significant governmental investigation or enforcement of health and safety standards. Any of these factors could have a material adverse effect on Resolute's results of operations and financial condition.

Sustainable development and community benefit

As a result of public concern about the perceived ill effects of economic globalization, businesses generally face increasing public scrutiny of their activities.

These businesses are under pressure to demonstrate that, as they seek to generate satisfactory returns on investment to shareholders, other stakeholders, including employees, communities surrounding operations and the countries in which they operate, benefit and will continue to benefit from their commercial activities. Such pressures tend to be particularly focused on companies whose activities are perceived to have a high impact on their social and physical environment. The potential consequences of these pressures include reputational damage, legal suits and social spending obligations.

The location of existing and proposed mining operations often coincides with the location of existing towns and villages, natural water courses and other infrastructure. Mining operations must therefore be designed to minimize their impact on such communities and the environment, either by changing mining plans to avoid any such impact, modifying mining plans and operations, or relocating the relevant people to an agreed location. These measures may include agreed levels of compensation for any adverse impact the mining operation may continue to have upon the community. The cost of these measures could increase capital and operating costs and therefore could have an adverse impact upon Resolute's results of operations.

Mining companies are also subject to extensive environmental laws and regulations in the various jurisdictions in which they operate. These regulations establish limits and conditions on a producers' ability to conduct their operations. The cost of Resolute's compliance with environmental laws and regulations has been, and is expected to continue to be, significant.

Environmental laws and regulations are continually changing and are generally becoming more restrictive. If environmental compliance obligations alter as a result of changes in laws and regulations, or in certain assumptions made to estimate liabilities, or if unanticipated conditions arise, including any temporary failure to comply with regulations, standards or operating procedures requiring operations to be suspended, expenses and provisions may increase and the rate of production and revenue could be adversely impacted. If material, these expenses and provisions could adversely affect Resolute's results of operations and its financial condition.

Mining companies are required by law to close their operations, and rehabilitate the land that they mine, at the end of the life of the mine. Estimates of the total ultimate closure and rehabilitation costs for gold mining operations are significant and based principally on current legal and regulatory requirements that may change materially. Environmental liabilities are accrued when they become known, probable and can be reasonably estimated.

Costs associated with rehabilitating land disturbed by the mining processes and addressing the environmental, health and community issues are estimated and financial provision is made based upon information currently available. Estimates may however be insufficient and further costs may be identified at any stage. Any underestimated or unidentified rehabilitation costs would reduce earnings and could materially and adversely affect Resolute's asset values, earnings and cash flows.

Compliance with climate change regulation

Greenhouse gases are emitted directly by Resolute's operations and indirectly as a result of the consumption of electricity purchased from external utilities. Currently, a number of international and national measures to address or limit greenhouse gas emissions are in various phases of discussion or implementation. These measures could result in requirements for Resolute to reduce its direct and indirect greenhouse gas emissions.

In addition, Resolute's operations could be exposed to a number of physical risks from climate change, such as increased rainfall, reduced water availability, higher temperatures and extreme weather events. Events or conditions such as flooding or inadequate water supplies could disrupt mining and transport operations, mineral processing and rehabilitation efforts, and could increase health and safety risks onsite.

Reliance on key personnel

Resolute is reliant on its management. The loss of one or more of these individuals could adversely affect Resolute. In addition, Resolute's ability to manage growth effectively will require it to continue to implement and improve its management systems and to recruit and train new employees and consultants. Although Resolute expects to be able to do so in the future, there can be no assurance that Resolute will be able to attract and retain skilled and experienced personnel and consultants.

Joint venture parties, contractors and agents

Resolute's directors are unable to accurately predict: (i) the risk of financial failure or default by a participant in any joint venture to which Resolute is, or may become a party; (ii) the risk of insolvency or other managerial failure by any of the contractors or any service provider used by Resolute in any of its activities; or (iii) the risk of insolvency or other managerial failure by any of the other service providers used by Resolute.

Title, tenure and access

All mining tenements and licences which Resolute owns or may acquire either by application, sale and purchase or farm-in are regulated by the applicable mining legislation. There is no guarantee that applications will be granted as applied for. Various conditions may also be imposed as a condition of grant. In addition a relevant minister or government agency may need to consent to any transfer of tenements to Resolute.

Renewal of titles or licences is made by way of application to the relevant department. There is no guarantee that a renewal will be automatically granted other than in accordance with the applicable mining legislation. In addition, the relevant minister or government agency may impose conditions on any renewal, including relinquishment of ground.

Title to mineral properties

Title to Resolute's properties may be challenged or impugned, and title insurance is generally not available. Each sovereign state is the sole authority able to grant mineral property rights, and Resolute's ability to ensure that it has obtained secure title to individual mineral properties or mining concessions may be severely constrained. Mineral properties may be subject to prior unregistered agreements, transfers or claims, and title may be affected by, among other things, undetected defects. In addition, Resolute may be unable to operate its properties as permitted or to enforce its rights with respect to such properties.

Taxation and government regulations

Changes in taxation and government legislation in a range of areas (for example, the Australian Corporations Act 2001, accounting standards, and taxation law) can have a significant influence on the outlook for companies and the returns to investors. The recoupment of any taxation losses that might be accrued by Resolute is subject to the satisfaction of tests outlined in taxation legislation or regulations in the jurisdictions in which Resolute operates. There is no guarantee that Resolute will satisfy all of these requirements at the time it seeks to recoup its tax losses which may impact on Resolute's financial performance and cashflows.

Risks specific to Resolute's operations

Tanzania and Mali sovereign risk

Resolute's Malian and Tanzanian projects are subject to the risks associated with operating in a developing economy. These risks may include economic, social or political instability or change, hyperinflation, currency non-convertibility or instability and changes of law affecting foreign ownership, government participation, taxation, working conditions, rates of exchange, exchange control, exploration licensing, export duties, repatriation of income or return of capital, environmental protection, mine safety, labour relations as well as government control over mineral properties or government regulations that require the employment of local staff or contractors or require other benefits to be provided to local residents.

Resolute may also be hindered or prevented from enforcing its rights with respect to a governmental instrumentality because of the doctrine of sovereign immunity. Any future material adverse changes in government policies or legislation in Mali or Tanzania that affect foreign ownership, mineral exploration, development or mining activities, may affect Resolute's viability and profitability.

Legal systems in Mali and Tanzania

The legal systems operating in Mali and Tanzania may be less developed than in certain other countries, which may result in risks such as:

- political difficulties in obtaining effective legal redress in the courts whether in respect of a breach of law or regulation, or in an ownership dispute;
- a higher degree of discretion on the part of governmental agencies;
- the lack of political or administrative guidance on implementing applicable rules and regulations including, in particular, as regards local taxation and property rights;
- inconsistencies or conflicts between and within various laws, regulations, decrees, orders and resolutions; or
- relative inexperience of the judiciary and court in such matters.

The commitment by local business people, government officials and agencies and the judicial system to abide by legal requirements and negotiated agreements may be more uncertain, creating particular concerns with respect to licences and agreements for business. These may be susceptible to revision or cancellation and legal redress may be uncertain or delayed. There can be no assurance that joint ventures, licences, license applications or other legal arrangements will not be adversely affected by the actions of the government authorities or others and the effectiveness of and enforcement of such arrangements cannot be assured.

Native title in Australia

Native title determination applications have been lodged with the National Native Title Tribunal established under the Native Title Act 1993 over areas of interest currently leased by the Resolute group. Some of those claims have been accepted by the Tribunal. Acceptance of an application by the Tribunal is merely a preliminary step in the procedure established by the Native Title Act to determine whether or not native title exists. The final effect of these claims is not known and the claims are not currently affecting the mining and exploration projects of the Resolute group.

DEFINITIONS

The following definitions apply throughout this document unless the context requires otherwise:

"2012 ZDP Shares"	zero dividend preference shares of 10p each issued by Utilico Finance that entitle their holders to a capital repayment of 177.52p per share on 31 October 2012
"2014 ZDP Shares"	zero dividend preference shares of 10p each issued by Utilico Finance that entitle their holders to a capital repayment of 167.60p per share on 31 October 2014
"2016 ZDP Shares"	zero dividend preference shares of 10p each issued by Utilico Finance that entitle their holders to a capital repayment of 192.78p per share on 31 October 2016
"2018 ZDP Shares"	zero dividend preference shares of 5.9319p each to be issued by Utilico Finance pursuant to the Rollover Offer, and, if applicable, the Placing that entitle their holders to a capital repayment of 160.52p per share on 31 October 2018
"2018 ZDP Share Redemption Date"	31 October 2018
"Accrued Capital Entitlement"	the accrued capital entitlement of a ZDP Share on any particular date
"Administration Agreement"	the administration agreement entered into between Utilico, Utilico Finance, ICM and F&C Management Limited, the terms of which are summarised in paragraph 8.3 of Part 9 of this document
"Administrator or Secretary"	F&C Management Limited
"Admission"	the admission of the ZDP Shares to a standard listing on the Official List and to trading on the London Stock Exchange's main market for listed securities
"AIC"	the Association of Investment Companies
"AIC Code"	the AIC Code of Corporate Governance
"Assumptions"	the assumptions set out in Part 8 of this document
"Basic Entitlement"	the entitlement of each Eligible Shareholder to elect to participate in the Rollover Offer in respect of 65 per cent. of the 2012 ZDP Shares registered in such shareholder's name on the Record Date, in each case rounded down to the nearest whole number
"BCB Custody Ageement"	the custody agreement entered into between Utilico and Bermuda Commercial Bank Limited, the terms of which are summarised in paragraph 8.11 of Part 9 of this document
"Bermuda Companies Act"	the Bermuda Companies Act 1981, as amended from time to time
"Bye-laws"	the bye-laws of Utilico Finance or Utilico, as the context may require
"Board" or "the Directors"	the board of directors of Utilico Finance and/or Utilico and Director means any one of them
"Business Day"	a day not being a Saturday or a Sunday on which banks are open for business in the City of London

"City Code"	the City Code on Takeovers and Mergers, administered by The Panel on Takeovers and Mergers
"Closing Date"	the closing time for elections under the Rollover Offer, being 5.00 p.m. on 13 January 2012
"Company" or "Utilico"	Utilico Investments Limited
"Corporate Governance Code"	The UK Corporate Governance Code, published by the Financial Reporting Council
"CREST"	the computerised settlement system operated by Euroclear UK & Ireland, which facilitates the transfer of title to securities in uncertificated form
"Custodian"	JPMorgan Chase Bank N.A.
"Custody Agreement"	the custody agreement entered into between Utilico and JPMorgan Chase Bank N.A. the terms of which are summarised in paragraph 8.4 of Part 9 of this document
"Depositary"	Computershare Investor Services PLC
"Depositary Interests"	the dematerialised depositary interests issued by the Depositary representing the underlying Ordinary Shares
"Depositary and Custody Services Agreement"	the depositary and custody services agreement entered into by Utilico and Computershare Investor Services PLC further details of which are set out in paragraph 8.10 of Part 9 of this document
"Eligible Shareholders"	Qualifying Holders on the Register on the Record Date
"Emerging Markets"	predominantly countries included in leading emerging market indices
"Final Capital Entitlement"	the accrued capital entitlement of a ZDP Share on the relevant ZDP Repayment Date or, if lower, the amount per ZDP Share to which the relevant ZDP Shareholders would be entitled, and would receive on a winding-up of the Company
"Form of Election"	the form of election for use by Eligible Shareholders in connection with the Rollover Offer
"FSA"	the Financial Services Authority
"FSMA"	Financial Services and Markets Act 2000
"GERP"	Global Equity Risk Protection Limited, an unquoted exempted company incorporated in Bermuda and registered as a segregated accounts company
"GPLPF"	General Provincial Life Pension Fund (L) Limited, Utilico's majority shareholder
"Gross Assets"	the unaudited aggregate value of the gross assets of the Group, including assets represented by principal monies borrowed by the Group, less current liabilities (not including contingent liabilities) of Utilico (other than principal monies borrowed and any payments due under the Subscription Agreement in respect of the ZDP Shares)

"Gross Redemption Yield"	in respect of a ZDP Share, the annually compounded rate of interest at which the total discounted values of future payments of capital equate to its actual or assumed value at the date of calculation
"Group"	Utilico and all of its subsidiaries from time to time, including Utilico Finance
"ICM" or "Manager"	ICM Limited
"Ingot"	Ingot Capital Management Pty Ltd
"Initial Capital Entitlement"	the capital entitlement on the date of issue of a ZDP Share
"in uncertified form"	recorded in the register of members or warrantholders of Utilico as being held in uncertificated form in CREST and title to which may be transferred by means of CREST
"Investment Company Act"	the United States Investment Company Act 1940, as amended
"ISA"	Individual Savings Account
"Listing Rules"	the listing rules of the UK Listing Authority made under section 73A of FSMA
"Loan Facility"	the £30 million debt facility provided to Utilico by ScotiaBank Europe PLC pursuant to a facility agreement, the terms of which are summarised in paragraph 8.5 of Part 9 of this document
"London Stock Exchange"	London Stock Exchange plc
"Management Agreement"	the investment management agreement entered into between Utilico, Utilico Finance and ICM and dated 27 September 2010, the terms of which are summarised in paragraph 8.2 of Part 9 of this document
"Net Asset Value" or "NAV"	in respect of the Ordinary Shares, the amount which would be payable to a Shareholder on any specified date if Utilico was wound up and its assets (after making provisions for all its liabilities, including the amounts due to ZDP Shareholders) distributed on that date, valuing assets and providing for liabilities in accordance with the normal accounting policies of Utilico, but ignoring winding up expenses
"New Utilico Finance Bye-Laws"	the Bye-Laws of Utilico Finance, which were adopted by a written resolution of Utilico, the sole ordinary shareholder of Utilico Finance, on the date of this document
"New ZDP Shares"	the 2018 ZDP Shares and any 2014 ZDP Shares and/or 2016 ZDP Shares issued pursuant to the Placing
"Official List"	the official list of the UK Listing Authority
"Ordinary Shares"	shares of 10p each in the capital of Utilico
"Overseas ZDP Shareholders"	save as otherwise determined by the Directors, Qualifiying Shareholders who are resident in, or citizens, residents or nationals of, jurisdictions outside the United Kingdom, Channel Islands and the Isle of Man

“Placing”	the proposed placing of up to 10,000,000 2014 ZDP Shares, up to 10,000,000 2016 ZDP Shares and up to 49,842,413 2018 ZDP Shares, as described in this document
“Placing Agreement”	the placing agreement entered into between Utilico, Utilico Finance, ICM and Westhouse Securities Limited, the terms of which are summarised in paragraph 8.12 of Part 9 of this document
“Placing Price”	the price at which the Placing Shares will be issued to placees, being such price, not less than the Accrued Capital Entitlement of the relevant class of ZDP Shares at the date of issue, as shall be determined by the Directors
“Placing Shares”	up to 10,000,000 2014 ZDP Shares, 10,000,000 2016 ZDP Shares and 49,842,413 2018 ZDP Shares
“Proposals”	the Rollover Offer and the Placing
“Prospectus”	this document issued by Utilico Finance dated 2 December 2011 prepared in accordance with the Listing Rules and the Prospectus Rules of the Financial Services Authority
“Prospectus Rules”	the prospectus rules made by the FSA under section 73A of FSMA
“Qualifying Holder”	registered holders of 2012 ZDP Shares who are not Overseas ZDP Shareholders
“Qualifying Holding”	the number of 2012 ZDP Shares registered in the name of an Eligible Shareholder as at the Record Date
“Receiving Agent”	Computershare Investor Services PLC
“Record Date”	13 January 2012
“Register”	the register of members of Utilico Finance
“Registrars”	Computershare Investor Services (Jersey) Limited
“Registrar Agreement”	the branch register agreement entered into between Utilico and Computershare Investor Services (Jersey) Limited)
“Resolute”	Resolute Mining Limited
“Rollover Date”	the date on which 2012 ZDP Shares validly elected and accepted to participate under the Rollover Offer will be converted into 2018 ZDP Shares, expected to be 26 January 2012
“Rollover Offer”	the offer being made to Eligible Shareholders to convert part or all of their holding of 2012 ZDP Shares into 2018 ZDP Shares
“Rollover Value”	the value attributed to the 2012 ZDP Shares on the Rollover Date, being equal to their Accrued Capital Entitlement on that date of 168.58p
“Savings Plan”	the F&C Private Investor Plan and the F&C Pension Savings Plan
“Savings Plan Participants”	the participants in the Savings Plans
“Shareholders” or “Utilico Shareholders”	holders of Ordinary Shares

"sterling"	the lawful currency of the United Kingdom
"Subscription Agreement"	the agreement dated 14 May 2007 between Utilico and Utilico Finance as amended by an agreement dated 2 December 2011 pursuant to which, *inter alia*, Utilico Finance transferred certain assets to Utilico in consideration for which Utilico agreed to put Utilico Finance into sufficient funds to enable it to pay the Final Capital Entitlement of each ZDP Share when it falls due for payment in accordance with Utilico Finance's Bye-laws and any operational costs or expenses incurred by Utilico Finance
"UIT"	Utilico Investment Trust plc, the predecessor to Utilico
"UK" or "United Kingdom"	the United Kingdom of Great Britain and Northern Ireland
"UKLA" or "UK Listing Authority"	the Financial Services Authority acting in its capacity as the competent authority for the purposes of Part VI of FSMA
"Utilico"	Utilico Investments Limited
"Utilico Finance"	Utilico Finance Limited, a subsidiary of Utilico
"Utilico Finance Bye-laws"	the bye-laws of Utilico Finance, as amended from time to time
"United States"	United States of America
"VAT"	value added tax
"Warrantholder"	a holder of Warrants
"Warrant Instrument"	the deed poll of Utilico dated 14 May 2007 constituting the Warrants
"Warrants"	warrants issued by Utilico on the terms and conditions of the Warrant Instrument, entitling holders to subscribe for 1.090909 Ordinary Shares for each warrant held at a subscription price of 288.75p each
"Winding-up Revenue Profits"	the net revenue profits of Utilico (including accumulated revenue reserves) as at the proposed date of winding up of Utilico, determined in accordance with Utilico's usual accounting policies and the Company's Bye-laws
"ZDP"	zero dividend preference
"ZDP Cover"	has the meaning given to it in the New Utilico Finance Bye-Laws
"ZDP Repayment Date"	the date on which the Final Capital Entitlement becomes due for each class of ZDP Share, being 31 October 2012, 31 October 2014, 31 October 2016 and 31 October 2018 respectively
"ZDP Shareholders"	holders of ZDP Shares
"ZDP Shares"	the 2012 ZDP Shares, the 2014 ZDP Shares, the 2016 ZDP Shares and the 2018 ZDP Shares

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